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The Late, Great Center

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THE FASTEST GROWING CHURCH IN THE WORLD

by Brother Keith E. L'Hommedieu, D.D.

It's quite safe to say that of all the organized religious sects on the current scene, one church in particular stands above all in its unique approach to religion. The Universal Life Church is the only organized church in the world with no traditional religious doctrine. In the words of Kirby J. Hensley, founder, "The ULC only believes in what is right, and that all people have the right to determine what beliefs are right for them, as long as they do not interfere with the rights of others."

Reverend Hensley is the leader of the worldwide Universal Life Church with a membership now exceeding 7 million ordained ministers of all religious beliefs. Reverend Hensley started the church in his garage by ordaining ministers by mail. During the 1960's, he traveled all across the country appearing at college rallies held in his honor where he would perform mass ordinations of thousands of people at a time. These new ministers were then exempt from being inducted into the armed forces during the undeclared Vietnam war.

In 1966 Reverend Hensley was fighting the establishment on another front. The IRS tried to claim the ULC wasn't a legal church and proceeded to impound the ten thousand dollars in the church bank account. The feisty Hensley filed suit against the IRS in federal district court for return of the funds and to permanently establish the ULC as a legal tax exempt entity. On March 1, 1974 Judge James F. Battin ruled against the IRS in his decision which stated, "Neither this court or any branch of this government will consider the merits or fallacies of a religion. Nor will the court praise or condemn a religion. Were the court to do so, it would impinge upon the guarantees of the First Amendment." The judge then ordered the IRS to return the impounded money and to grant the Universal Life Church its tax exempt status.

Reverend Hensley has stated that he believes a church is people and not just a fancy building. He also believes in total freedom and equality for all people. The ULC will ordain anyone without regard to religious beliefs, race, nationality, sex or age.

The ULC's success formula is both effective and unquestionably legal. After a person has become an ordained minister, he or she can join with two other people and form their own Universal Life Church. These three people then make up the Board of Directors consisting of a Pastor, a Secretary and a Treasurer. The ULC will then grant the group the use of its legal church charter complete with both federal and state tax exempt numbers. The newly formed church may then open a bank account in the church's name. Any member of the church can legally donate up to 50% of his or her outside income to the church and take a corresponding tax deduction. The church in turn can pay the complete housing cost of its minister including rent or mortgage payment, insurance, taxes, furnishings and repairs. The church can also provide the minister with full use of an automobile as well as pay for travel and educational expenses. None of these expenses are reported as income to the IRS. Recently a whole town in Hardenburg, New York became Universal Life ministers and turned their homes into religious retreats and monasteries thereby relieving themselves of property taxes, at least until the state tries to figure out what to do.

Brother L'Hommedieu is Chairman of the Board of Trustees of the Sacerdotal Order of the Universal Life and serves on the Board of Directors of the International Universal Life Church, Inc.

Churches enjoy certain other tax benefits over the common man on the street. For instance, a church can legally buy and sell real estate or stocks and bonds completely tax free. It can receive tax free income from bank deposits or mortgages. Many churches own large publishing, recording, or other related businesses like hospitals, clinics and schools without paying any income tax.

A church can sponsor any kind of fund raising event such as a concert, play or even bingo. Churches are also exempt from paying inheritance taxes. When the pastor of the church dies, the Board of Directors simply appoints a new pastor and the church goes on.

Reverend Hensley has stated that he personally doesn't believe in the tax exempt status of churches. However, if the government is going to give a free ride to Billy Graham and the Pope, then why not let everybody participate in these blessings. Furthermore, he backs his words up by offering to defend in court the tax exempt status of his congregations.

Since the church was founded in 1962, it has attracted members who are movie and TV personalities, businessmen, government officials, lawyers, and doctors as well as all types of regular working people. During the last 15 years the Universal Life church has blossomed into a full blown grass roots populace movement. Reverend Hensley is ordaining ten thousand new ministers a week and predicts that the church will have over 20,000,000 members by the early 1980's. In addition, requests for interviews and TV appearances continue to pour in.

Anyone who is a member of the ULC will tell you that the ULC is destined to change the world. By unifying mankind into a brotherhood of freedom orientated individuals, each respecting the other's right to live life as they see fit, the Universal Life Church hopes to put an end to all wars. Reverend Hensley admits that this is a pretty monumental task to accomplish, but he also points out that he is already well on the way to reaching his goal.

Rev. Hensley invites all those interested in becoming an ordained minister and receiving complete information and Minister's Credentials, to send a 10^{00} tax deductible donation to the Universal Life Church, 1335 Seabright Ave., Dept. **802**, Santa Cruz, CA 95060

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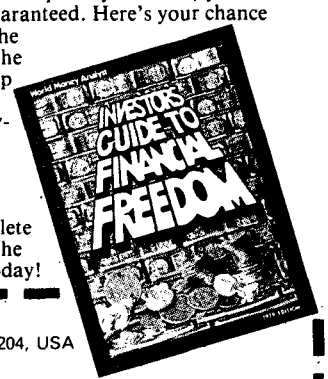

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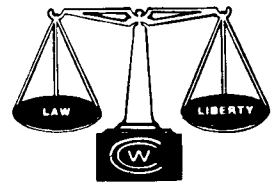

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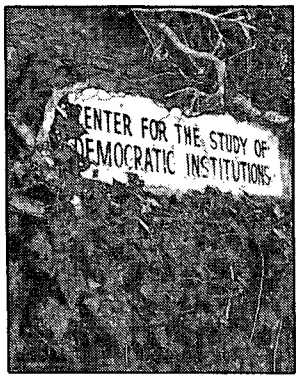

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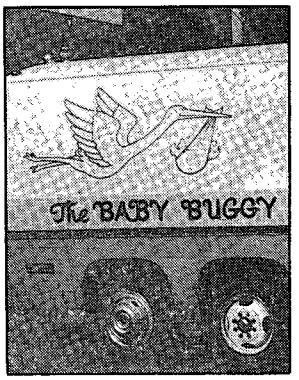

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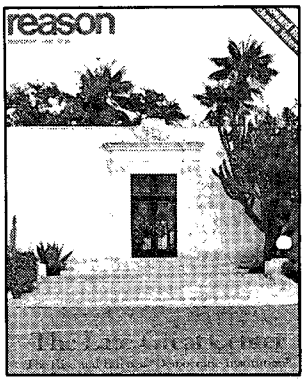

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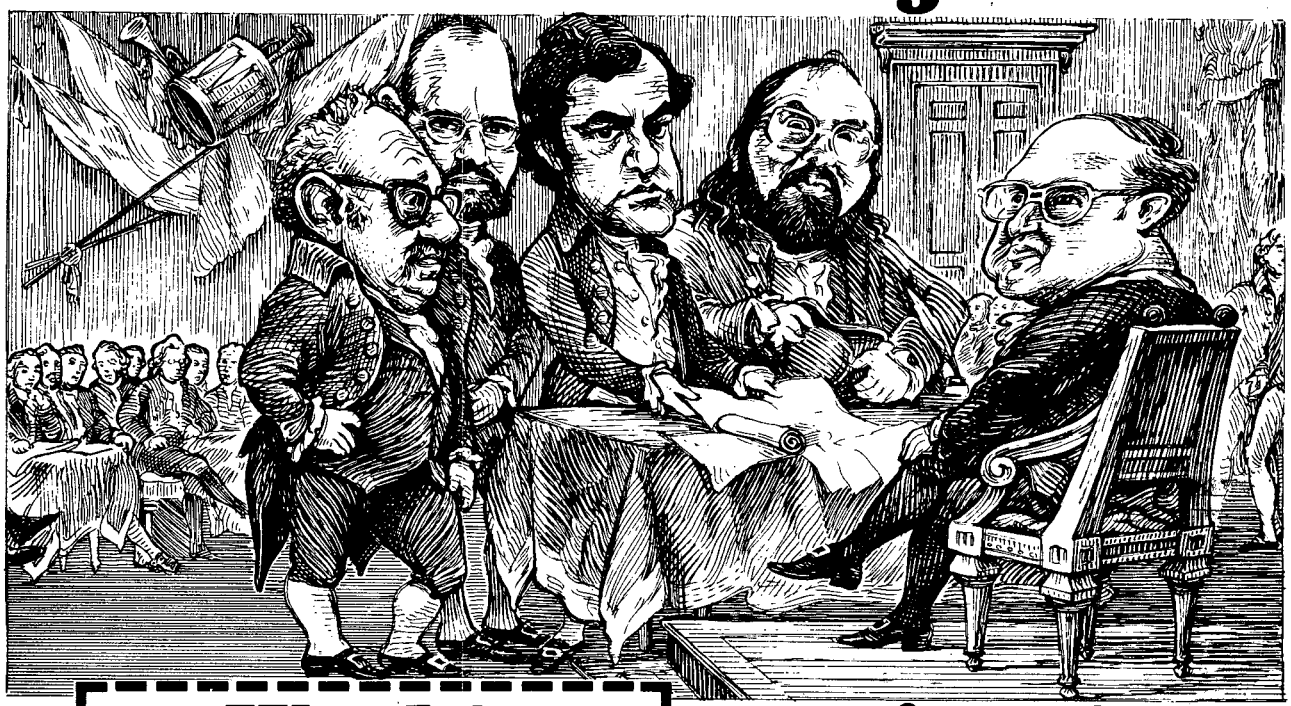

Left to Right: Murray Rothbard, Israel Kirzner, Earl Ravenal, Roy Childs, and Leonard Liggio

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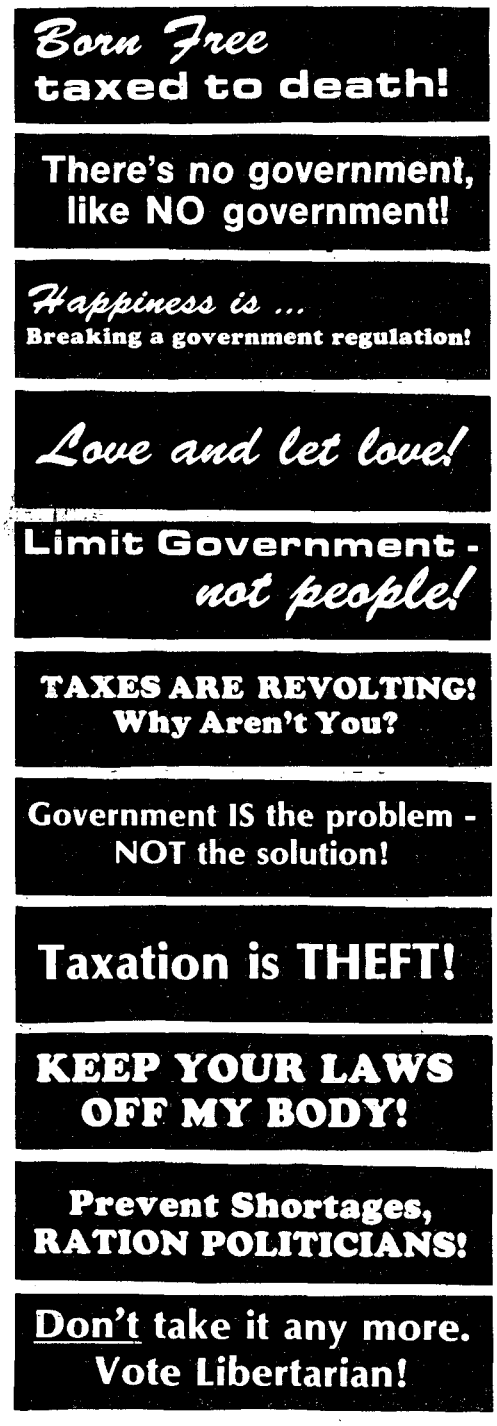

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editor's notes

• **STAFF CHANGES.** You will notice several changes on the masthead this month. Joining the roster of contributing editors is Lowell Ponte. A long-time libertarian journalist, he has had a regular radio commentary on Pacifica's KPFK (Los Angeles) since 1968. From 1971 to 1975 he wrote a syndicated column, first for the Freedom Newspapers and later for the McNaught Syndicate. His book on climate and weather control, *The Cooling*, appeared in 1976. Ponte has been published in a number of national magazines, including *Politics Today*, for which he is a contributing editor.

REASON's Money column acquires a new columnist this month, as Mark Tier steps down to devote more time to consulting work. Taking his place is Steve Beckner, who has written previous financial articles for REASON. Beckner is editor of *Deaknews*, the monthly newsletter of Deak-Perera, the well-known currency trading firm.

REASON also welcomes two new foreign correspondents. Rick Bolstler, of Vancouver's Libertarian Foundation, has become our Canadian correspondent. And Hubert Jongen has taken over for The Netherlands from Michael van Notten, who will be keeping tabs on the European Economic Community from his new position with the European Institute.

• **UFW PUBLICITY.** Our November report on the United Farm Workers union and federal grants is still generating interest. Over 16,000 reprints have been sold, another 8,000 are on order, and a Spanish-language translation is in preparation. *Conservative Digest* has requested permission to reprint a condensed version, and the American Farm Bureau Federation will be reprinting the entire article. And REASON is not the only publication questioning the UFW's image as friend of the downtrodden. The November/December *Humanist* carried a moving article by migrant worker C. C. Bruno documenting his own experiences at the hands of the UFW.

• **PRESCRIPTION.** Want to spread the word to your neighbors? How about giving your doctor or dentist a subscription to REASON for his or her waiting room? It will certainly give the patients something to think about.

• **MEDIA WATCH.** Among the worthwhile pieces published by our competitors—in this case, *Harper's*—are Ben Martin's article on the case for a constitutional convention to balance the federal budget (Sept.), Tom Bethell's "Fooling with the Budget: How Congress Causes Inflation" (Oct.), and Jude Wanniski's "Oil in Abundance—Without Taxes or Synthetic Fuel" (Oct.). And check out Neil Postman's "Order in the Classroom!" in the September *Atlantic* —a paean to educational discipline by an erstwhile disciple of the "new education."

• **MORE REPRINTS.** C. R. Batten's "The Second Battle of the Redwoods" (Oct. 1979) has been reprinted by Arcata Corporation for distribution to interested parties. And Steve Wright's "The First Amendment under Siege" (Sept. 1978) has been reprinted by the Foundation for Economic Education for use in its high-school debate information packet.

• **POLICY RESEARCH.** The Reason Foundation plans to begin a series of policy research projects—studies of important current issues such as land-use controls, defense policy, building codes, and privatization. Besides contributions to fund this program, we are also seeking research proposals from qualified individuals. If you have such a project in mind and would like to be considered for Reason Foundation support, send a one-page summary of what you plan to do and how much support you're seeking (together with a resume) to Policy Research, The Reason Foundation, 1129 State Street, Suite 4, Santa Barbara, CA 93101.

• **DIAMOND PROTECTION.** As the dollar continues to sink, many people have turned to diamonds as an inflation hedge. Unfortunately, numerous shady operators have moved into the diamond business, leading to considerable fraud and numerous rip-offs. A small group of sellers is now trying to police the industry —and help forestall government intervention. Contact the American Association of Diamond Merchants at 350 S. Figueroa St., Los Angeles, CA 90071, or call their consumer hotline: (800) 824-7888 (in California it's (800) 852-7777).

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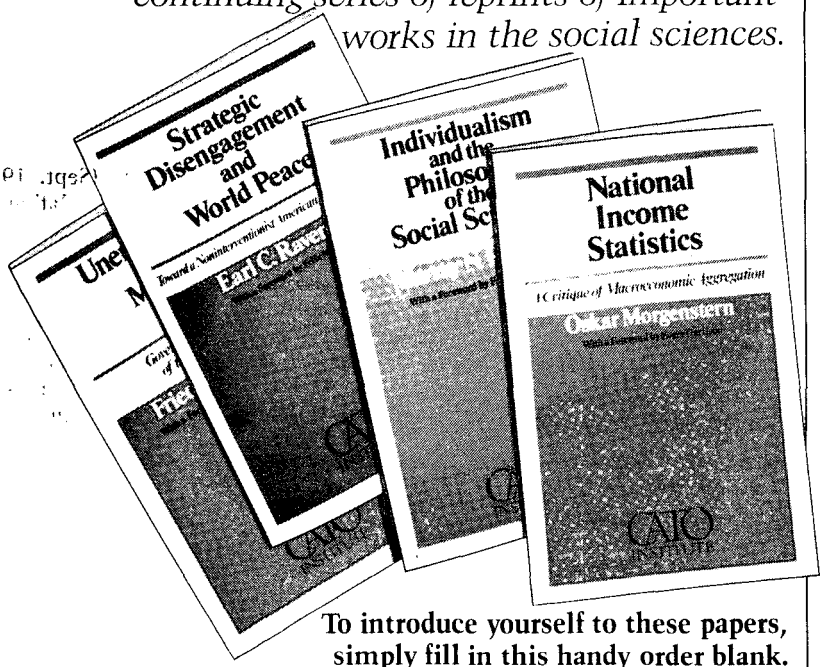
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SALT and Defense

editorial

AT A TIME WHEN US EMBASSIES ARE UNDER ATTACK by mobs and a hapless president is humiliated by a dictatorial madman, the US Senate is called upon to pass judgment on the Strategic Arms Limitation Treaty (SALT II). Unfortunately, in such an environment the urge to demonstrate "toughness" may conflict with the need for sound, critical thinking. Yet the issues at stake are far too serious to be decided on anything less than the most carefully rational basis.

SALT II sets limits on the numbers of missiles and bombers permitted to the United States and the USSR. It also limits the number of warheads on multiple-warhead missiles and the number of such missiles in each side's arsenal. Advocates of SALT II consider it an important step in halting escalation of the costly, dangerous strategic arms race.

Most SALT opponents raise several issues. Pointing to certain asymmetrical aspects of the treaty (the Soviet SS-18 is larger than anything on the US side, the Soviet Backfire bomber is not counted) and doubts about being able to verify Soviet compliance, they have argued that the treaty tends to ratify what they see as Soviet strategic superiority. In particular, they say, the US land-based Minuteman ICBMs are now vulnerable to being wiped out by a Soviet first strike. Hence as their price for supporting SALT II these critics demand deployment of the MX missile system with its "racetrack" method of basing. And in order to get their votes, the Carter administration has promised to go along.

Unfortunately, most of the debate is beside the point. The desirability of SALT can only be assessed by reference to fundamental questions about US defense needs. And that, in turn, requires familiarity with a number of complex technical issues. Based on such study, two highly significant facts emerge:

1. Our Minuteman missiles are *not* vulnerable to a Soviet first strike. Despite improvements in the theoretical accuracy of Soviet missiles (the "scatter," or CEP), their actual ability to hit desired targets head-on (their "bias") depends on such factors as gravitational variations, winds, and air-density variations. In a first-strike situation (that is, without the possibility of practice shots), these variables could not be controlled for. As James Fallows summed it up in the *Atlantic*, "few who understand the mechanics of nuclear weaponry consider the perfect timing, precise coordination, and pinpoint accuracy of the first-strike scenario as anything more than a frightening but unrealistic fantasy." Thus, there is no need for the costly new MX to replace Minuteman.

2. Genuine *defense* against ICBMs is now quite feasible. As pointed out on this page last year (Jan. 1979), orbiting platforms armed with high-energy laser weapons could destroy Soviet ICBMs in the boost phase (while still over Soviet territory). Several other new types of missile defense systems were described in *Aviation Week* last fall (Oct. 22, 1979). All these systems are feasible with technology that already exists; all that's required is the commitment to develop and deploy the hardware.

In the light of these two points, what can we say about SALT II? On the one hand, the concern of the treaty's opponents that SALT II ratifies US inferiority is misplaced. If all three elements of the US strategic Triad (land-based missiles, submarine-based missiles, and airborne weapons—bombers and cruise-missile carriers) remain effective deterrents, then the fact that the SS-18 has 10 one-megaton warheads is irrelevant. And even if the Soviets were to evade verification and put 14 warheads on the SS-18, it makes little real difference as long as our deterrent remains effective.

But the real problem with SALT II concerns the whole concept of deterrence. Like its predecessors, SALT II represents a commitment to the continuation of mutual assured destruction (MAD)—a joint agreement that neither side will attempt to *defend* against ICBMs. Instead, each will hold the other's population hostage, as our *only* defense against attack. Shades of the Ayatollah!

By continuing this policy of defense by offense, the administration makes itself vulnerable to virtually irresistable political pressures for more and "better" offensive strategic weapons—the $1.59 billion apiece Trident submarine and the absurdly costly $33-40 billion MX/racetrack system. And because even defense budgets have limits, *that*, in turn, means that other weapons systems—ones that might actually *defend* this country—cannot be procured. Building MX and Trident may keep a few defense contractors happy but will gut our real defense needs—such as:

- a naval capability adequate to protect US commerce on the high seas,
- a functioning air defense system (of which we now have none),
- adequate pay for those in uniform (rather than conscription),
- sufficient supplies and spare parts to keep the military functioning,
- a thorough research and development effort,
- adequate quantities of simple, reliable, low-cost weapons, and, above all,
- a major commitment to defense against ballistic missiles.

Ratification of SALT II would commit this country to a continuation of the dangerous, costly, and morally repugnant policy of the balance of terror. Rejection of SALT II—along with rejection of costly new offensive systems like MX and Trident—could be the beginning of a new commitment, a commitment to *principled defense*. By rejecting the morality of madmen and terrorists and making this country invulnerable to nuclear blackmail, such a policy might also earn us a new respect among the peoples of the earth.

Robert Poole, Jr.

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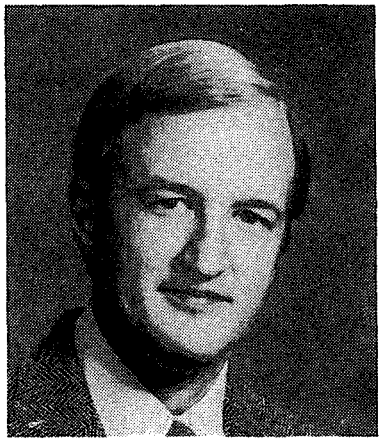

Mark Skousen is consulting editor to *Personal Finance*. He earned his Ph.D. in economics from George Washington University, and is the author of *Playing the Price Controls Game*, *The Insider's Banking & Credit Almanac*, and *Mark Skousen's Complete Guide to Financial Privacy*.

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letters

UFW Irregularities

Patty Newman's article on the United Farm Workers [Nov.] was investigative journalism at its finest and exactly the sort of writing I hope to find in REASON. Keep up the good work.

Your readers may be interested in some additional information on practices by the Cesar Chavez bunch. Last year I was the foreman of a Federal Grand Jury in San Diego which was hearing evidence in an alien-smuggling case. According to sworn testimony, the aliens being smuggled had been recruited from as far south as 1,500 miles below the Mexican border, specifically for the purpose of padding the votes in a UFW election.

To the best of my knowledge, this practice has never been investigated nor publicized until now.

Kent Curl
Coronado, CA

Airline Comparisons

I found the December 1979 Trends piece, "Which Airlines Violate Safety Rules," most informative. The way the data were normalized, however, prompts me to ask a question.

Should the reported violations be divided only by revenue passenger miles, or should the number of take-offs and landings somehow be taken into account also? Assuming United, for example, has longer flights on average than PSA, could this factor partially account for the large difference in their ranking on your chart? With only a passenger's knowledge of air travel, it appears to me that take-offs and landings are the most critical elements in a flight.

While there may be no end to the refinements possible in such a study, many of your readers may appreciate seeing how the take-off and landing variable affects the results.

Steve Buckstein
Portland, OR

Mr. Poole replies: Mr. Buckstein raises an interesting point regarding the most appropriate parameter to use in normalizing the data. It is true that if the number of flight operations were used instead of revenue passenger miles, the disparity between the longer-range and shorter-range carriers would be considerably reduced. It is *not* the case that most accidents occur during landings and take-offs, however, though those phases of operation *do* account for a more than proportionate share. Data from the National Transportation Safety Board based on the 441 accidents involving US airlines from 1968 through 1977 indicate that 10 percent occurred on take-off, 26.8 percent on landing, and 44.2 percent during in-flight operations. (The remaining 20 percent took place with the aircraft either taxiing or at rest.) All things considered, the most accurate normalizing factor would probably be a composite measure that took into account both the revenue passenger miles *and* the number of aircraft operations, perhaps weighted in proportion to the relative occurrence of accidents during the in-flight and take-off/landing phases of flight, respectively.

Airlines and Airports

The item on airline safety violations in Trends is interesting, but probably not relevant to real life. My experience as a professional pilot with FAA inspectors leaves me with the opinion that the numbers probably could be correlated more accurately with the various inspectors making the reports than with the airline in question.

Some inspectors will make an unbelievable fuss about trivia, while most recognize that the real world is never quite as neat as bureaucrats would have one believe. If an airline happens to be stuck with a nit-picker, the numbers won't average out until long after he dies, retires, or transfers. One must not forget that the FAA man is inspector, prosecutor, judge, and jury, and constitional protections don't apply.

(*Continued on p. 49.*)

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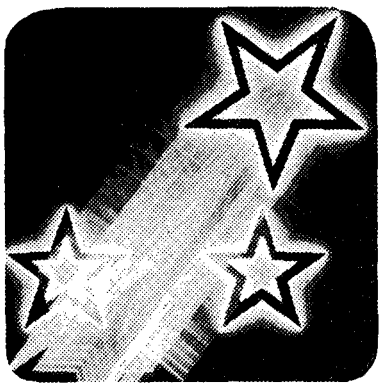

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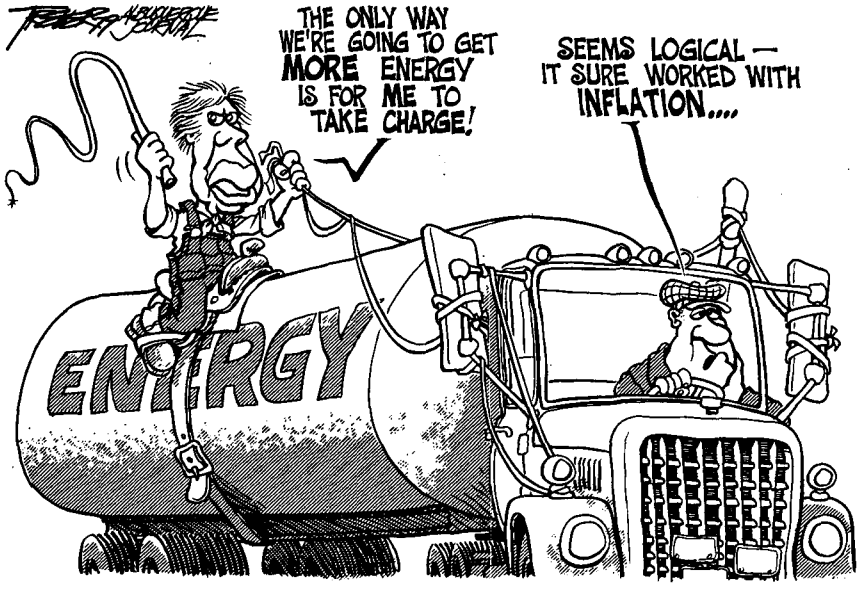
brickbats

☐ **For all the foam and fizz** about the **Iranian mess, the Ayatollah has come up** with a few clever thoughts. For instance, regarding President Jimmy: "He is a politician, not in the healthy sense of politics [*sic*], but in his own way. He commits any treachery to fulfill his personal interests, under the illusion that he is serving his country's interest." This shrewd holy man also must sport a fancy array of high-priced attorneys, for he has filed **suit against his predecessor, the Shah, for $56.5 billion. Only $20 billion of this** represents money actually stolen from the public coffers, the remainder being for "punitive" damages—which should surely serve as a disincentive for this sort of activity in the future. (Can you imagine asking a collection agency to go out and round up a $30 billion award for punitive damages?) This legal action, while yawned at by the nation's press, could easily prove a landmark. What are the possible effects of a legal finding that politicians are liable for monies they chisel from the public dole?

☐ **Speaking of which,** Senator Kennedy is outraged by Carter administration bigwigs who are threatening to "punish the people of cities whose officials do not endorse the president." The concern was over a comment by Secretary of Transportation **Neil Goldschmidt, that Ken**nedy-backer and Chicago mayor Jane Byrne "would not be at the top of my list" when a whopping $2 billion in transportation bribes is distributed. (Given the ineffectiveness of federal programs, one interesting point is that incumbent presidents may soon have to pass out promises to *withhold* "help" from Washington in order to buy votes.) The administration insisted that the Honorable Mr. Goldschmidt was simply "jesting," yet Kennedy remained incensed. How is he going to get into the Oval Office and be able to wield enormous powers to buy his *own* votes if this sort of thing goes on today?

☐ **Internal Revenue agents have joined** the libertarian bandwagon and are suing the IRS itself for investigating their tax returns before properly informing them of such details as, for example, their constitutional rights. The auditors have good reason to be offended, for they would be just the ones to know how effective such federal strongarm tactics can be. Government officials were considerably more friendly in the northeastern region of China. There, in a remote coal-mining settlement, the State has provided 59 lonely miners with one wife per person. The men were having trouble in the dating scene because of their dangerous occupation and the fact that their village is considered the pits—even by Chinese standards. The New China News Agency reports, "**The Party's warmth inspired** the miners, and since 1977 this team has topped its annual quota each year"—further proof that Communism works, of course.



☐ **On the down side, however:** a discouraging report that "**ultraleftist Party** officials killed thousands of local authorities and others in China's Nei Monggol autonomous region during the early 1970's," if UPI is to be believed. According to a Communist Party newspaper, "Cadres of the Chinese and Mongolian nationalities affected amounted to several hundred thousand. Dozens of thousands are dead. It wreaked unprecedented havoc in the Mongolian autonomous region." Oh, well. Every system has its drawbacks. Under capitalism, we must put up with Howard Cosell on Monday night football.

☐ **Fidel Castro,** the popular Cuban dictator, has surprisingly condemned the Cuban working man. Suggesting that "slovenliness, cronyism, and lack of worker discipline" are foiling the plans of hard-working central planners and embarrassing the socialist experiment in general, he attacked specifically the suboptimal performance of the nation's railway system. Yet the Marxist sex symbol made clear that the nonalienated socialist supermen are goofing off not only in "the public transportation sector," but in "the food industry and educational system," and are symptomatic of "the shortcomings of our system, of our socialism." Castro was mystified by the fact that Cubans show such zest for foreign assignments of great danger: "Hundreds of thousands turn up wanting to go to Ethiopia, or Angola, or wherever, demonstrating their revolutionary political consciousness in some things. But when it is required on a daily basis, it fails to appear." Only that sort of intellect which really, really believes in the communist heaven could fail to solve the "mystery" of why the only time the citizenry shows great zeal is when it is about to gain an exit visa to "wherever."

☐ **And here's a fellow** you'll be wanting to invite over for your next social gathering: a plaintiff has sued the maker of Raleigh cigarettes because of severe burns suffered when he took a snooze while smoking one. How much could he get, do you think, for pigging out on your avocado dip and party mix and proving increased obesity?

—Thomas Winslow Hazlett

trends

FTC under Attack

The agency that claims to be a champion of the consumer, the Federal Trade Commission, is coming under heavy fire from business and trade groups—and increasingly from Congress.

Most of the action to date has been in the House. For two years in a row the House has passed legislation that would allow either house of Congress to veto FTC trade rules and has held up FTC budget authorizations in an attempt to get the Senate to go along. And recently the house voted to forbid the agency from imposing new regulations on the funeral industry.

Now the action has shifted to the heretofore-reluctant Senate. The Senate Commerce Committee in November voted unanimously to forbid the FTC from

- adopting trade rules against "unfair" advertisements (such as those aimed at children),
- regulating the procedures of private standard-setting organizations,
- investigating the insurance business (which the agency is already forbidden to regulate by federal statute), and
- adopting a rule requiring warranties and inspections for used cars.

The committee also voted to limit FTC reimbursements to citizen groups for the expenses of testifying, setting the maximum at $50,000 per group in any one year. Pending before the Senate are over two dozen other limitations on FTC activities, including the House-passed legislative veto measure, which has 35 Senate cosponsors.

The FTC legislative veto measure is but one application of a broader proposal. Rep. Elliott Levitas (D-Ga.) has over 200 cosponsors for a measure that would allow either house to veto any significant regulation, regardless of the agency proposing it. Congress has already included provisions of this sort in the latest budget authorizations for three departments: Housing and Urban Development, and the major regulatory programs of the departments of Transportation and Energy. The Carter administration maintains that these restrictions unconstitutionally infringe on executive authority, but the issue has thus far not been tested.

As if the FTC did not have enough to worry about, its authority to issue industry-wide trade rules is now being challenged in court. Hertz Corporation contends that the agency's "holder in due course" regulation is "unlawful and in excess of the commission's statutory authority." It argues that the courts must look behind the rule itself to see whether the commission acted correctly in enacting it. If Hertz's view prevails in court, it could shift the burden of proof about the reasonableness of regulations from beleaguered firms to the FTC itself.

California Cable Deregulated—Almost

For most of 1979 the cable-TV industry in California lobbied hard for deregulation of rates—and very nearly succeeded in getting approval of a bill forbidding cities and counties from controlling cable rates. But under threat of a veto by Gov. Jerry Brown, the bill was drastically rewritten at the last minute. As a result, the new law that went into effect on January 1 provides many cable systems with pricing freedom—at the cost of their autonomy.

In arguing for deregulation of prices, cable operators advanced strictly practical arguments—that the benefits of advancing cable technology (more channels, satellite transmission, etc.) were being held back by unresponsive local regulators. In the end, the politicos took them at their word: they made rate deregulation conditional. In order to be freed of price controls, a cable system must offer at least 20 channels, use a satellite ground station, and make available community-service (public-access) channels. Moreover, if a cable system serves more than 70 percent of the homes in its franchise area, it will be considered a quasi-monopolist and allowed to raise its rates no more than 75 percent of the percentage increase in the Consumer Price Index.

On top of all that, the measure sets up an independent foundation to promote and give grants for use of the community-service channels by government agencies and citizens groups, funded by a tax of 50 cents per cable subscriber per year.

Thus, California's cable industry is entering a new era...but it's not quite what one would call "deregulated." *Re-regulated* would be more like it.

What Price Speed Limits?

Everyone knows that speed limits save lives...don't they? Well, as with other bits of conventional wisdom, this one, too, may turn out to be wrong. That's the implication of a study of the West Ger-

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man experience, as reported by Paul Frere in *Road and Track* (Oct. 1979).

The evidence consists of several parts. To begin with, there's before-and-after data on the imposition of speed limits on urban streets and open highways other than autobahns. A 50-kph (31-mph) limit was imposed on the former in 1957 and a 100-kph (62-mph) limit on the latter in 1972. In both cases, injury-causing accidents dropped somewhat during the following year but then resumed their gradual uptrend.

More impressive is the experience with the autobahns (the equivalent of US interstate highways). For two years in the early '70s the government experimented with speed limits on various sections of the autobahns. The result was a decision to post a "recommended" speed limit of 130 kph (81 mph) but no mandatory limit. Analysis of accidents from 1972 to 1975 showed that 72 percent of all autobahn accidents involved cars traveling at less than 100 kph (62 mph)—yet cars going below that speed accounted for only 58 percent of the traffic. Clearly, the slower drivers accounted for the lion's share of the accidents. Only 6 percent of the accidents occurred at speeds greater than 130 kph (at which 7.7 percent of the traffic was going).

For these reasons, German traffic officials decided that making the 130 kph limit mandatory would yield a negligible reduction in accidents. At the same time, it would impose inconvenience and frustration on long-distance motorists, lead to a reduced sense of responsibility on the part of drivers (and possible deterioration in active car safety), and require higher police budgets. Thus, German autobahn drivers remain free to set their *own* limits.

Tax Cut Benefits

Those arguing for cuts in federal taxes frequently claim that a reduction in present high rates of taxes will lead to beneficial increases in investment, helping to restore vitality to our stagnating economy.

Some evidence of such an effect has turned up recently, concerning the 1978 cut in capital gains tax rates. The October 1978 cut had a massive impact on the venture capital market. Whereas private partnership venture capital investments had been a mere $22.5 million in 1974, zero in 1975, $25.7 million in 1976, and $20.2 million in 1977, in 1978 they suddenly increased to $215 million, mostly in the fourth quarter when the tax cut occurred. For 1979 the figure is expected to be around $300 million.

A less dramatic indicator is the extent of initial public offerings of common stock. The average number of such issues from 1974 to 1977 was just 44 per year, and in the first half of 1978 there were only 18. But in the second half, the number jumped to 40 and increased again to 59 in the first half of 1979. Moreover, from November 1, 1978, to September 30, 1979, the stock market index of over-the-counter stocks rose nearly 31 percent, that of the Amex 57 percent, indicating renewed interest by individual investors. (By contrast, stocks on the New York exchange, where institutions dominate, rose hardly at all.)

Currently, another investment-related tax-cut proposal is before the Congress. Called the Capital Cost Recovery Act, it would allow firms to depreciate assets far more quickly, thereby (say its supporters) spurring replacement of obsolete plant and equipment. The measure would replace the present "useful life" rules with a so-called 10/5/3 rule: commercial structures could be written off in just 10 years, equipment in 5, and cars and light trucks in 3.

A study of 10/5/3 by Data Resources, Inc., predicts that it would generate $10 billion in additional investment during each year of its phase-in period and $21 billion a year thereafter. After accounting for increased personal and corporate income tax revenues due to increased production, **the net tax take would be about $11 billion a year less. Some economists question these numbers. But few challenge the measure's basic premise:** that in these inflationary times, present depreciation methods are grossly unrealistic *and* that cutting the tax on capital goods will lead businesses to invest in more of them.

Private Forecasting

The six-member National Weather Service observation team at Washington National Airport is being phased out for a private contractor and, eventually, automation. The weather service provides briefings to pilots at the government-run airport. Over the years, it has also assumed responsibility for forecasts to the general public.

Grumblings from the affected employees have prompted William Eggert, chief of the data systems division of the NWS and coordinator of the transition, to point out that at least $85,000 will be saved by the move. The private firm, Nash Roberts Jr. Consultants, Inc., won the bid at $67,000—fully $170,500 less than the $237,500 it costs now. Two government employees will be retained to continue to provide aviation briefings and to respond to public inquiries, pushing the costs up to a total of $152,000, still a significant savings.

Criticism of the eventual transition to **an automated system has led the NWS to** question the nature of information required for aviation forecasting. While Eggert acknowledges critics' charges that such things as types of cloud formation can't be assessed by a machine, he counters that that information is not necessary for forecasting. An automated system would cost about $150,000 to install and $10,000 a year to operate.

Telex Competition

Competition in telecommunications—already in existence for long-distance telephone service—has come to the telex field, as well. Three new firms are now providing international telex service at prices from 35 to 50 percent less than those of the FCC-regulated carriers. And they're doing it without apparent need of FCC approval.

International teletypewriter exchange (telex) service has traditionally been provided by firms such as ITT World Communications and Western Union International, which own or lease their own communications links (cables, satellites, etc.). They are licensed as common carriers by the Federal Communications Commission—which means they have to file their rates with the agency and serve all customers on an equal basis. As in many other regulated industries, the firms end up charging virtually identical rates instead of competing on price.

The new firms are quite different. All three utilize regular telephone service to provide their trans-Atlantic connections, interfacing with European telex networks. Southern Pacific Co., for example, stores outgoing messages in a computer in Patchogue, New York. About once an hour its British affiliate, VTL Data Processing, calls up the computer to receive the messages, then retransmits them over its 57 leased European telex lines. SP's rates are 40 percent less than those of the established firms—$1.50 per minute for service to West Germany, for example. It achieves these economies, in part, by utilizing lower-cost European telex lines than its established competitors and by offering only "store-and-forward" service (storing up messages in the computer and sending them once an hour)—that way it avoids the expense of maintaining full-time communications links.

SP and its fellow innovators, Consortium Communications International and Via Titus, Inc., have not been classed as common carriers and thus far have not advertised for customers. Hence, they

have remained exempt from FCC regulation. Disturbed by the cut-rate competition, the big three established carriers have filed complaints with the FCC against Consortium, claiming that it is operating illegally by not being FCC-licensed. Given the FCC's recent moves to open long-distance telephone service to competition, it seems unlikely to be willing to protect the large firms' shared monopoly from the newcomers' aggressive competition.

Tax Revolt Here to Stay

A study conducted by the Rand Corporation and funded by Rand and the Ford Foundation reports that the tax revolt is not an isolated case of discontent but rather indicates a new era of scaled-down government. The mood of tax containment, says the study, explains the fact that the fraction of the gross national product accounted for by state and local government spending has dropped for the first time in 30 years. Local or state fiscal limits can now be found in half the states, and taxpayers are more reluctant to approve bond issues or to vote for free-spending candidates. Explaining the discontent, the study points to (1) polls showing that taxpayers are questioning whether they are getting their money's worth for taxes paid, (2) inflation, (3) the last 50 years' increases in the burden of taxation, (4) shifts in government expenditures, and (5) the lopsided compensation of federal employees, currently averaging 140 percent of that in the private sector (state and local compensation is about even with the private sector).

Counting Oil Prices

Energy boondogglers should take note of two results of higher oil and gas prices: a jump in domestic drilling activity and steadily declining consumption of these two sources of energy.

According to a *Business Week* report, the number of drilling rigs in operation in late 1979 topped a 22-year record. And the explanation for the increasing exploration for oil and gas is the higher prices for some producers: oil from wells started after January 1, 1979, and oil from stripper wells is not price-controlled; the government-set maximum natural-gas price increased from $1.55 per thousand cu. ft. in 1978 to $2.29 in the fall of '79, and some categories of gas have now been completely deregulated. In addition to higher prices, the report cites the major oil companies' widely publicized profits in 1979—and a $2 billion increase in exploration activities in their revised 1979 budgets. And some experts think an even bigger jump in drilling is yet to come. With plenty of rigs available (in contrast to 1973, when the first oil squeeze hit), producers say there's nothing that could stop the current boom—except punitive tax legislation.

And while producers do their part on the supply side of the equation, consumers have been reacting equally naturally to higher prices. Between 1973 and 1978, notes economist Michael K. Evans, energy consumption (measured per dollar of gross national product) did not increase at its previous average rate of 0.6 percent per year but declined by an average 1.4 percent a year. And in 1979 the drop was even bigger. In answer to "defeatists of all stripes" who insist that the pricing system cannot solve the energy crisis, Evans declares that "raising energy prices and rewarding those who, by design or accident, happen to own claims on oil and gas reserves" is the way to get OPEC off our backs.

Smog Alerts

Despite recent studies finding that airborne pollutants are good for plants, other reports decry Southern California's

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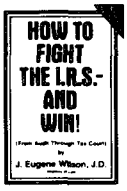

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indigenous acid smog and place crop losses due to air pollution at up to 50 percent.

In a study done at Argonne National Laboratory, researcher Patricia Irving surprised herself and others with the finding that, for some plants, sulfur dioxide and nitrogen oxide emissions (the pollutants in acid rain) provide key nutrients that help plants grow. Previous studies found these elements to be harmful, she asserts, because they were administered in unrealistically high doses. A soybean plot supplied with water of the acidity level of vinegar showed a seven percent bigger crop than one watered with unpolluted rain. The TVA, one of the biggest coal users in the country, has come up with similar results.

Another new aspect of the acid-rain debate is "acid smog"—a Southern California phenomenon. A recent study by Caltech scientists confirmed that the area has its own, nitrogen-high, version of the Northeast's acid rain (where coal-burning utilities account for the high sulfur content). And since it doesn't rain that much in Southern California, there's also lots of acid smog—20 times the amount of acid rain in Los Angeles. What does it mean for vegetation and health? The researchers say they don't know yet, but they imply that it's a cause for some concern. Perhaps they will be as surprised as the Argonne researcher when they turn to this question.

Meanwhile, crop research experts warned a Kern County, California, symposium that annual crop losses due to air pollution are at least 10-12 percent in Central and Southern California and "could go as high as 50 percent" in some areas. Dr. James Demmett of UC Davis claimed that air pollution is causing the loss of 20 percent of the alfalfa and 10 percent of the citrus in the San Joaquin Valley, 30 percent of the citrus in Los Angeles County, and 40 percent of the citrus in San Bernardino County.

But Dr. Arthur A. Millecan, Jr., of California's Department of Agriculture, noted that for some crops, technology has made it possible to adjust to airborne oxidants: to "plant more resistant varieties, use antioxidant sprays,... and alter farming techniques, such as holding off fertilizer and water for periods of time." And in reporting on the Kern County symposium, the *Los Angeles Times* interjected its own parenthetical note that "despite the asserted crop damage" California agriculture was enjoying one of its best years, with shortfalls in citrus and avocado production attributable to a freeze last winter.

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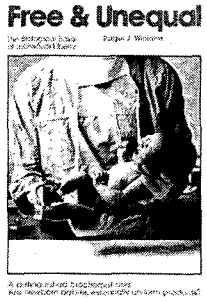

Free and Unequal

By Roger J. Williams

"A distinguished biochemist, who has long been concerned with the importance of science for human welfare, assails the widespread acceptance of what he calls the 'assembly-line doctrine' that people are fundamentally alike . . . Dr. Williams mobilizes evidence for the heritability—and thus the fundamental variability—not only of bodily traits but of physiological and psychological differences as well . . . The author then explores the significance of these differences. He shows how freedom itself depends on them, for freedom would be unimportant if we were all alike"—*Saturday Review*. "Eminently humane and he makes his principal points powerfully"—Ashley Montagu in the *New York Times*. Hardcover $8.00, Paperback $3.50.

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China Tries Capitalism

Some youths open a cafe across the street from an older, more established cafe. The new cafe remains open later in the evening, offers a more varied menu, and gains all the customers. This is nothing new in the United States, but these two cafes happen to be located in Communist China. The older cafe is a State-run franchise and the new cafe an example of the new benevolence toward capitalistic ventures. For China is joining the ranks of other socialist and communist countries that are being forced by reality to recognize the benefits of free-market work and exchange incentives.

Reality is particularly pressing in China because of massive unemployment problems. Upon graduating from a university, young people often spend 7 to 10 months finding work, and China will have to provide jobs for 40 million people in the next decade, as automation displaces workers. So jobless youths are being encouraged by the Communist Party to go into business on their own or in small groups. The new enterprises get their start-up capital from private sources such as families and banks, unlike the State-financed collectives.

Another move is to allow commune factories, instead of automatically turn-

ing everything over to the State, to sell their surplus produce—whatever exceeds production targets—in street markets. Here, they join a lively commerce in produce and meat from private plots, which now account for some three to six percent of all cultivated lands. Prices at the street markets average 20-30 percent higher than at State stores, but the quality and variety—and the possibility of bargaining over the price—attract plenty of customers.

Capitalist technology and management practices are also being brought to State-run enterprises. Both in the factories and agricultural communes, there is a move toward decentralized decision making, with freedom for local creation of economic incentives to boost the quantity and quality of production. Cash bonuses, time-and-motion studies, and piecework wage systems are making headway in State-run factories. For a high-performing worker, cash bonuses can amount to 30 percent of the base wage.

China is also wooing foreign investments, to add to the 800 joint ventures already operating in Guangdong Province, by the Hong Kong border. With such ventures, the Chinese expect to open up foreign markets to their products and thus earn the foreign exchange needed for modernization, but also to gain access to management techniques and new technology.

Following up on a joint venture law passed in July, the Chinese are working out laws to provide investor incentives, specify investors' rights to arbitration, and allow for management autonomy. And there are signs of recognition of the need for legal provisions for resolving disputes connected with the delivery and supply of materials.

With their commitment to modernization, the Chinese have had to open their eyes to economic realities. And that, quite naturally, seems to be forcing an awareness that smooth economic functioning requires a political structure that recognizes rights.

Britain Steps Up The Attack

With several recent moves, Britain's Conservative government continues to show its determination to revitalize the economy with the fresh air of deregulation.

In November, Prime Minister Margaret Thatcher's government introduced legislation that would block enforcement of US court judgments against British firms in antitrust cases. The legislation, expected to be approved by Parliament,

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is a dramatic new turn in a long-standing international legal battle over antitrust and regulatory jurisdiction. While applicable to all foreign governments, the proposed law is, by the British government's own admission, aimed at US courts and regulatory agencies, which have claimed jurisdiction over British companies that operate outside the United States but are subsidiaries or affiliates of US firms, have 25 percent US ownership, or carry on any activities judged to have an adverse effect on US commerce or foreign trade. The law would prevent enforcement in Britain of US antitrust judgments and punitive double or triple damage awards and would exempt British firms from complying with US subpoenas or court orders for information and documents in antitrust and regulatory actions.

On another front, airline entrepreneur Freddie Laker is optimistic about Britain following the United States' lead in airline deregulation. Laker expects the government's approval of his proposal to extend his low-fare service to 37 European cities and hopes for its strong backing when he goes before the European Economic Community for approval. His move into Europe could spur aviation deregulation there, too, says Laker, because other carriers will have to compete, whether officially deregulated or not.

The British government has also taken steps to bring some competition to its postal service. In September, Keith Joseph, secretary of state for industry, announced plans for splitting Britain's Post Office into two corporations, one handling letter delivery and the other telecommunications, including telephone service. Both would remain State-owned, but telecommunications would be opened to domestic and foreign competition in the next two to five years. While the government had been considering selling shares in the telecommunications arm of the Post Office to the public, as proposed for other nationalized industries, the final plan less radically opts for increasing efficiency by exposing it to competition with private enterprises.

Meanwhile, with its 1981 budget (covering April 1980 through March 1981, Mrs. Thatcher's government is refusing to soften its criticized restraint. Proposed public expenditures (in constant dollars) would come to $7.2 billion less than the Labour Party had planned and would show only a $40 million increase over the expected $144.54 billion for 1980. According to the government "white paper" outlining the budget proposals, the rationale for restraint is to force down inflation by tight control of the money supply and of government borrowing and to reduce taxes, especially on income, as an incentive to the private sector.

Truck Deregulation Stalled

Promising movements toward deregulation of trucking at both the national and state level are being stalled. In both cases, legislators are paying heed to complaints from those protected by the existing regulatory structure and are ordering the regulatory agencies to hold up on their efforts to relax controls.

At the federal level the Interstate Commerce Commission has been put on notice by Sen. Howard Cannon, chairman of the Commerce Committee, to avoid making any major deregulatory moves that would preempt congressional action. Outgoing ICC chairman Daniel O'Neal and incoming chair Darius Gaskins have agreed to hold off decisions on several such proposals until June 1, the date by which Cannon wants Congress to pass some form of truck deregulation bill. But the ICC plans to continue action on "many other important, but less far-reaching" proceedings.

A similar drama is taking place in California. Last August the state Public

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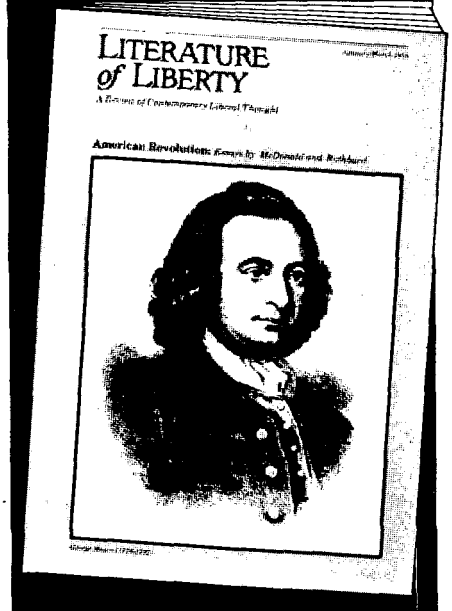

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Utilities Commission set in motion a "phased deregulation" effort under which minimum rates for truck shipments were abolished and truckers were to set rates via competition. Heavy lobbying by the Teamsters Union and a number of trucking firms led to passage by the state Assembly of a bill to impose a two-year moratorium on any such changes. Proponents of the delay claimed that reliance on competition would "make our industry unstable and that does not serve the public interest." The PUC, by contrast, estimated that competition would lead to rates at least 10 percent lower than at present, and that that would certainly be in the interest of most Californians. At press time, the moratorium was being considered by the state Senate.

Milestones

• *Brown on Gold.* At the National Committee for Monetary Reform conference in New Orleans, 3,000 gold bugs heard political chameleon and California governor Jerry Brown come out for gold. In a surprise move, Brown said, "The reentry of gold into the monetary system may be necessary." Calling US gold sales a "gimmick," Brown added that 'it is a very foolish thing for the government to sell off gold, as if gold is never going to play a role in the reform of the international monetary system."

• *Gold Ownership Bill.* In a related development, Rep. Ron Paul's Gold Ownership Act of 1979 has passed the House of Representatives. Since the 1930s, the Treasury has had authority to confiscate gold holdings—which the bill, incorporated in a Federal Reserve measure, aims to rescind. Sen. Jesse Helms is scheduled to introduce the bill in the Senate.

• *Restoring Incentives.* Hungary announced its plans to drop rigid wage controls and let employers pay higher wages to reflect higher profits. At present, the wage difference between skilled and unskilled labor is only 30 percent.

• *Latin Privatization.* The city government of Buenos Aires, Argentina, is looking for a large private company "capable of developing efficient service" to buy its 22-mile municipal subway system. The system has been running (inefficiently, it seems) since 1913.

• *Citizen's Choice against Taxes.* A blue-ribbon commission has been formed by Citizen's Choice—a broad-based public-interest group—to investigate IRS methods and lobby for tax and spending cuts. Noting that voluntary compliance is the traditional basis for tax collection, founding chairman Jay VanAndel warned that the frequent IRS harassment and inconsistencies could destroy incentives to willingly comply with the IRS. The commission has also called for an *immediate* $25-30 billion tax cut.

• *Ending Interest Limits.* Sen. William Proxmire's Banking Committee successfully wrote a bill aimed at making banks, credit unions, and savings and loan associations more competitive by ending federal limits on interest paid to savings accounts (Regulation Q) and by allowing interest on checking accounts. The bill passed 76 to 9 and is now in conference with the House. Under the bill, all limits would end by 1990.

• *Economics 101.* The *Wall Street Journal*, in a recent editorial, criticized congressional solutions to the Chrysler imbroglio. Noting that market forces channel capital to efficient managers, the editorial pointed out that congressional intervention—whether it be taxes, price regulation, or credit allocation—obstructs that efficiency. It stated that if the sophisticated capital markets are saying they don't have confidence in Chrysler, federal guarantees can only delay inevitable bankruptcy. The editorial suggests bankruptcy as the best solution, so that capital can go to more successful enterprises.

—Robert Poole, Jr.

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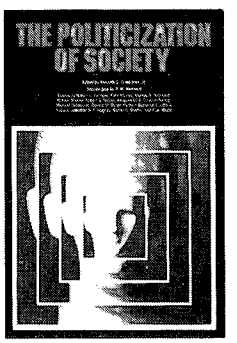

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Edited by Kenneth S. Templeton, Jr.

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BY THOMAS W. HAZLETT

The Late, Great Center

After many years as the bête noir of the right, the left's leading think tank has fallen on hard times

Q: *When a group of extremely serious, thoroughly dedicated intellectuals combine to promote radical change in the archaic, reactionary system of American private enterprise, what is their first step?*

A: *They obtain a million-dollar grant from the Ford Foundation.*

AND SO IT BEGAN with the esteemed Center for the Study of Democratic Institutions. The place was Santa Barbara, California. The year was 1959. And the grant from the legacy of the late Henry Ford (who turned to the left only after his death) was 15 million dollars American.

Such grandiose beginnings gave rise to more than modest aspirations. "We think of ourselves as a kind of early-warning system," boasted the late founder of the Center, Robert M. Hutchins. "We are concerned with basic rather than burning issues."

Yet there was much aflame in these basic issues in the eyes of the philosopher kings the Center brought to its mount—in bourgeois style, called Eucalyptus Hill—on the beautiful Santa Barbara coast. (Among the gurus: Arnold Toynbee, Reinhold Neibuhr, William O. Douglas, J. William Fulbright, Wayne Morse, Walter Lippman, John V. Lindsay, U Thant, Erich Fromm, George Romney, and J. Kenneth Galbraith.)

Allow Mr. Hutchins, the former president of the University of Chicago, to stake the rest of the claim: "The Center for the Study of Democratic Institutions is trying to do what has never been done before.... The Center is not engaged in specialized research. It is endeavoring to identify and clarify the great issues of our time."

The consequences of such work, Hutchins believed, would be fairly important. To wit: "If democratic countries are to remain democratic, it would seem that they require centers of independent thought and criticism about the problems democracy faces today."

THINK TANK IRONIES

With so much riding on the Center's picturesque shoulders, the paramount concern has been to steer clear of all undue influences. The Center thus dedicated itself to isolation in heroic style. In the words of its 1979 president, Maurice Mitchell, the Center is a place where "people of various disciplines can come together and talk about problems without feeling they have to be faithful to economists, scientists, humanists, philosophers, Republicans, Democrats, socialists, or what have you." They do have to be faithful, though, to the legacy of the famed authoritarian Center ruler, already implicated, Mr. Hutchins.

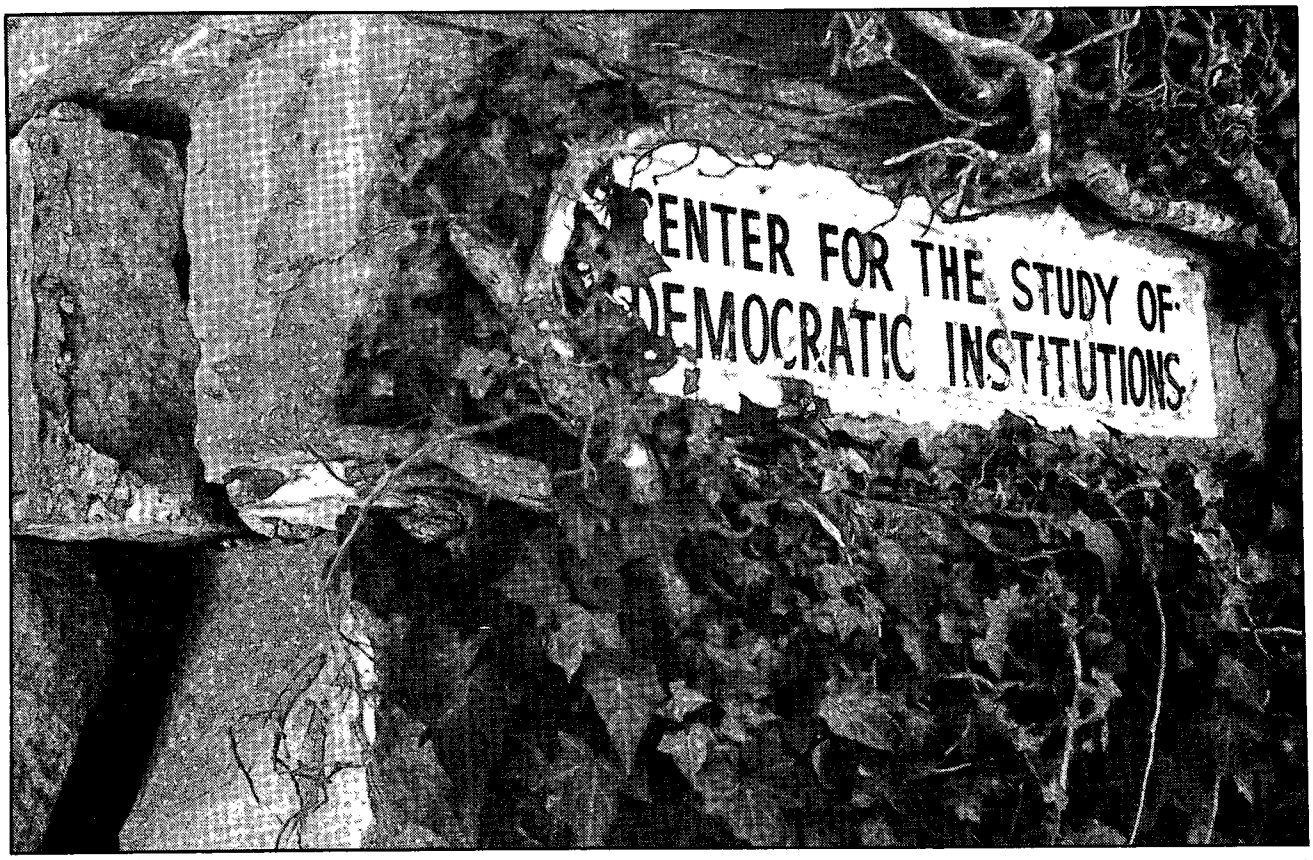
And Mr. Hutchins began the scholarly enterprise with far from a clean ideological slate. His grave concern was "the inadequacy of the Invisible Hand of the marketplace as the director of the common good," and his nonnegotiable conclusion was baldly proclaimed:

> *The Center is learning that law and government must be invoked if the common good is to be achieved. This means that politics is indispensable and must be possible. If law and politics are taken as a conjugation of the verb "to persuade," a clue to the salvation of law, government, and politics even under contemporary conditions may be found.*

Beware any "think tank" that, under the guise of "publishing thoughtful papers on different sides of controversies," proceeds so thoroughly to mangle the national tongue that the violence of political coercion ends up defined as "persuasion." Nonetheless, the Center for the Study of Democratic Institutions remains a blessing on two counts.

On the one hand, it has pioneered the idea of the "think tank," a concept born of President Roosevelt's catchy "brain trust." (The case could, of course, be made that FDR's advisors had actually

Some of the research for this article was done by REASON intern Naomi Geschwind.



put their brains into a trust—a blind trust—in order to serve their political chores without any conflicts of interest. Such a claim was, in effect, made by the first brain-truster, Raymond Moley, who wrote *After Seven Years*, an outstanding 1939 attack penned the moment Moley had redeemed his brain from the trust.) The Center set a fashion for wealthy people to give large sums of money to intellectuals on the grounds that society needs "free thinkers"—a windfall so remarkable for the entire academic community that its import hardly need be detailed.

And second, the Center is of interest as a research laboratory for studying the scholars who study society. This zeroes in on the two-way nature of social science. The scholars, of course, believe that they are the ones *conducting* the research rather than *participating* in it. For the sake of experiment, naturally, that is just what we want them to believe.

This is only one of the many wondrous paradoxes that sprout from the grassy turf surrounding Eucalyptus Hill. It could well have been dubbed, not a "think tank," but an "irony mill." What better introduction to a famous place where the Elizabeth Taylors and Farah Fawcetts of the intellectual world collect to lap up martinis, to eye the Pacific sunset, and to leave the telephone off the hook so that scholarly encyclicals (generally, transcriptions of the tape-recorded chats between the mental giants so hobnobbed) may be issued on the horrors of economic freedom and affluence. What better setting to discover them!

WORLD FORMULA

If exaggeration appears to have infected this portrayal, perhaps insufficient data have been brought to bear. Consider, then, the most popular Center "conclusion" — that human values must change if the race is to survive.

Those who peopled the Center ended up sliding down into that dog-eat-dog pit of rivalry they so ardently feared.

Possibly the Center's most compelling argument on this topic appeared in the June 1975 issue of the *Center Report* (its bimonthly magazine that alternated with its other bimonthly, *The Center Magazine*, those in academic circles being uncanny in their creative choice of titles). Appearing therein was a monumental work by one Eduard Pestel: "Beyond Forrester and Meadows: A Multi-level Model of the World."

Dr. Pestel, a German professor of engineering, no doubt merited a place in the *Guinness Book of World Records* for describing his entire model, including "about 100,000 relationships," in less than two pages in the *Report*. Possibly, great detail was considered unnecessary because his work was billed as a sequel to the 1972 report of the Club of Rome, which "scientifically" deduced that "the world's economy is destined to collapse in the next 75 years, unless economic growth halts." Brevity in Part II of such an exciting academic endeavor must have been welcomed by *Center Report* readers anxious to get to the *results*.

Before getting to the results, those who are not panicky over the impending apocalypse will be interested in a glimpse of the professor's innovative methodology. Dr. Pestel boasted that many rival world models have only a few hundred algebraic relationships compared to his "about 100,000"—maybe he hadn't the time to count, which might be a clue to the effort spent in carefully "testing" each one. But even with his tolerant view of the computer's capabilities, he was not so generous as to presume that a trifling 100,000 equations could totally describe the world of thinking, breathing, burping men and women. So to close his mathematical model and come up with conclusions—the results his audience eagerly

awaited—he plunged into "scenarios."

Now for a social scientist to get to use a great big modern electric computer and still be able to make up his own data points—or, excuse please, "scenarios"—and then to have famous thinkers go goo-goo, ga-ga upon publication of that computer model's scientific conclusions, well now, that's just Puppy Heaven.

In Dr. Pestel's case, it is genuinely difficult to discern any other purpose of the computer apparatus than ornamental. It stamps the brand name "science" onto the prejudices of the programmer; it allows him to write his ruminations on computer tape.

Given such transparent ethics, and remembering the Club of Rome's financial stake in this projection, it is no grand surprise that the Center summed up Pestel's findings as the conclusion that solving "critical problems such as those surrounding energy, food, and environmental degradation" would require "significant changes in the value systems and goals of man" and a reshaping of human instincts toward less-competitive behavior.

Imagine putting together a mathematical model and finding that there can be no logical outcome of the system unless your data (that is, mankind) promise to change. It's the *model* that's right—and *man* that's wrong. By God, what holy feelings 100,000 simultaneous equations must give an engineer!

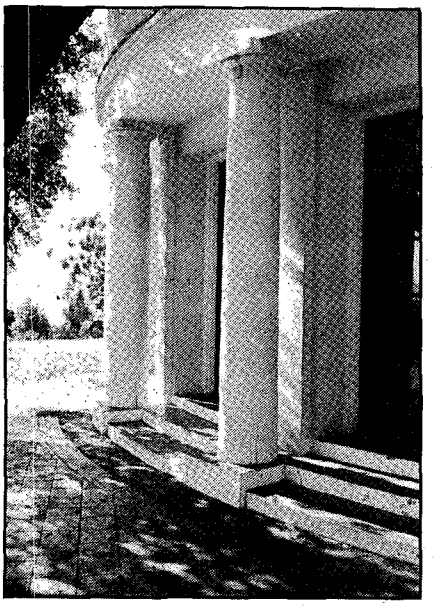
SELECTIVE PR

The Center for the Study of Democratic Institutions, it is clear, is no humble outfit. It works on Big Projects.

Consider, if more evidence is needed, the New Deal brain-truster Rexford Tugwell, a long-time Center fellow now deceased (this is a recurring Center problem, as the average age of its fellows has been over 60 for a number of years). Tugwell invested his upper-middle-class stipend creating no less than 41 "new" drafts of the US Constitution.

The Center claims partial credit for Michael Harrington's epic *The Other America*—the book that prompted President Kennedy to launch the "War on Poverty." (That the government ended up surrendering the war, but not before inflicting severe casualties on those alleged to be its own troops, goes curiously unheralded.)

And in the early 1970s the Center felt proud to announce: "Almost 10 years ago the Center held discussions based on the proposition that politics should be primarily concerned with the quality of American life—an idea that now finds its way into the rhetoric of many political leaders, including President Nixon." One marvels at the self-assurance of an intellectual bastion that feels not an ounce of shame in advertising itself as the supplier of meaningless slogans to one of the most cynical hacks currently disgracing the American political stage.



Hutchins's grave concern was "the inadequacy of the Invisible Hand of the marketplace."

The Center, it should be noted, does not always rave over its own doings. Its publicists have been quite silent in recent mass mailings, for example, about the little-known 1975 volume, *Multinational Oil: A Study in Dynamics*. Authored by the late UCLA Graduate School of Management economist Neil Jacoby, the volume was touted by the Center in 1975 as "a far-sighted and responsible contribution to the understanding and resolution of world energy problems." The contribution? "The members of OPEC will cut the price of oil because it is in their economic interest to do so." Jacoby further predicted that, "as the world's largest investors, the oil-exporting countries would be hardest hit by the world economic breakdown that now threatens due to over-priced oil." No mention of this prediction appears in current Center literature.

BEHIND THE FAÇADE

What emerge as most entertaining in the Center's scholarly hop-scotch through contemporary history are (1) its well-developed sense of self-importance; (2) its persistent clinging to the institutions of democracy in the ideological realm while succumbing to the stern disciplines of a very serious headmaster in the practical one; (3) its dumbfounded look of awe at any model of society that, by means of mathematics none of the resident fellows comes close to grasping, produces "proof" of the necessity for (*a*) more government and (*b*) more studies; and (4) the country-squire lifestyles of the elderly raconteurs whose chief occupations are (*a*) slitting one another's academic throats and (*b*) issuing treatises on the need for reforming human competitiveness.

The internal intrigue stirring inside the elegant world of pure research surfaced in a series of unfortunate events stretching back a decade. First, there was the matter of Robert Hutchins. The Center's prime mover, Hutchins had been head of the Center's parent organization, the Fund for the Republic, in the 1950s. The Fund was established (with Ford Foundation largesse) to provide an antidote to the McCarthyism then in vogue and, presumably, to give liberals a chance to show that they didn't really like communism. When the Fund conceived the Center, in 1959, Hutchins went with the latter.

Now Hutchins was a self-assured sort, and he had reason to be such. He had a law degree from Yale; moreover, he ascended to the post of dean of the Yale Law School at age 29 and to the presidency of the University of Chicago at 32. And those are surely grounds for being overwhelmed with oneself.

It is undeniable that, from the perspective of influencing American academia and media, the Center has accomplished Big Impact to go along with its Big Projects. Of course, it didn't hurt to be handed $26 million to do the job ($15 million from the Ford Foundation, $5 million from Xerox founder Chester Carlson, and nickels and dimes from various assorted tycoons). And Hutchins proceeded to spend all 30 million of it, thus blessing the Center with a budgetary deficit of just the sort so many of its scholars had been urging on the national government. Fortunately for the disciples of Mr. Jarvis, however, the Center was not similarly endowed with any powers of taxation.

The results have been more rational. The Center has conducted a protracted, reluctant going-out-of-business sale of its mansion and 42-acre estate. Starting in 1969 (perhaps as "an advance warning system," as the Center likes to think of

itself, of the economic downturn about to come), the Center cleaned house, purging itself of several administrators and fellows, particularly the more radical breed. Part of Hutchins's intended "reform" of Center procedures, the termination decisions were to be made by an elaborate process that never worked, prompting one jilted senior fellow to comment: "What was designed as the purest of democratic procedures became something as dirty as the dirtiest political convention."

SPAGHETTI REFORMS

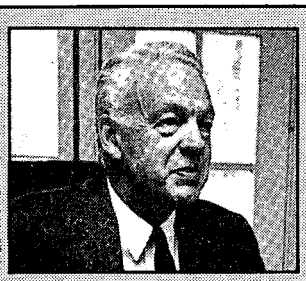
The ship steadied until Hutchins's decision in 1974 to retire as the Center's first and only president. One-man rule had been a hidden boon to the science of democracy, and when Hutchins left the job to University of Minnesota president Malcolm Moos (a *Re-pub-li-can* from the Ike "brain trust"), not even the Center's own computer programmers were able to predict the impending disaster.

It wasn't for lack of good ideas that Mr. Moos dropped the ball. Indeed, on his arrival he alertly noted that at least one economist should have been tolerated at the Center. "The Center has never had an economist," he observed. "The trouble is," he said in explanation, "few people agree on who are the great post-Keynesian economists, if any." And he had thought about scholarly strategies. "I would like to develop a kind of academy here," he announced. He wanted to remodel the Center after Rockefeller University in New York—a school completely given to research by an elite core of faculty, researchers, and carefully chosen graduate students. (Moos understood that the study of democracy is much too important to be left to the masses.)

But Moos, who had given up a $300 million budget and 62,000 students in hopes of sharing some dry martinis and a juicy intellectual challenge, was tripped up by fiscal realities and petty bickerings. In trying to right the Center's Congress-like spending habits, Moos stepped on some scholarly toes. He went to far as to cut the staff from 64 to 39 and to order that the kitchen start serving spaghetti luncheon as an economy move. That was all the Center could take, and Shake-up 1975 was set in motion.

COURT CAPERS

Moos had failed to last a year, and when his head went rolling, it soon had company—all the tenured-for-life resident intellectuals were axed, as well. That move put the Center in court.



Wide World Photos

HUTCHINS HIMSELF
by Harvey Wheeler

It was 1956, early winter. I'd come up to New York from Virginia for a Fund for the Republic conference. The city still functioned. Probably at its all-time peak. After work, midtown congestion was already quite uncongenial, but my taxi was surging north from 38th with pleasing periodicity. I'd gotten back to the Tuscany Hotel from the Fund's offices primed for a drink and a pleasant conversational dinner, but a note in my box from Jim Real said I was to come to the Waldorf Men's Bar where Real, along with Walter (Millis) and Bob (Hutchins)—"*Bob*" Hutchins!—would be waiting.

Three months earlier, during the 10-minute break after my 8:00 a.m. political science lecture to Washington and Lee sophomores, I'd opened a letter. Very terse. "Saw your article in *Dissent*. If you happen to be in New York, look me up." Signed, Ping Ferry, Vice-President, Fund for the Republic. It was some kind of cruel joke. Washington and Lee is in Lexington, *Virginia*. The southwest side of Virginia. You can only get there by jitney. I happened into New York City like every world war or so. If Ferry had said, "The next time you happen to get to Reykjavik,..." it would have amounted to about the same thing.

I fired off a furious reply. (Why not? With a type like that I obviously had nothing to lose.) "Thanks a lot. I'll be sure and look you up the next time New York holds a World's Fair, but it would probably be a waste of time to call on any rich foundation. There is no way we could have anything in common." Three days later a telephone summons: "Come at our expense."

A strange visit. The Fund for the Republic occupied the Lincoln Building penthouse offices. I was shunted around from Ping Ferry to Hallock Hoffman to Jim Real and others. Martinis and lunch at the Century Club. More interviews. Circuit finished. Back to Ping: "If money were no object and you could do anything you wanted, what would you do?" That was style! I told him.

But through it all I'd never met the boss. Rather, we'd brushed hands briefly as we happened to pass when I was being handed off between interviews. Fifteen years later I learned it was Bob himself who had first read that obscure article in *Dissent*; Bob who had told Ping to write; Bob who had read my insolent letter and said, "Get him up here"; and Bob who, briefed on each of my interviews, ordered simply, "Find out what he wants to do and fix it so he can do it."

I did get exactly what I asked for, and more. But I also got involved in meetings at the Fund about three times a month, plus piled-on requests for critiques and evaluations of books, of grant applications, and of just plain over-the-transom letters. They'd stuck into my dream bargain some canny, privately reserved fine print, but I wasn't complaining.

* * *

The Waldorf Men's Bar—anti-Women's Lib—6:00 p.m., 1956. A rich, blue inversion layer from incinerating Havanas hung over the room. The noise level from a thousand, tension-pitched voices—powered by what Bob fondly called the

(*Continued on p. 27.*)

That has not been an uncommon place for it in recent years. Many of the free thinkers who were terminated socked the Center for severance pay. By January 1977 the IOUs made an impressive list: $63,144 owed to Harry Ashmore (a founding fellow of the Center), $24,939 to Rexford Tugwell, $36,699 to Frank Kelly, $37,348 to Malcolm Moos, and so on. Firing Big Thinkers can be a very grubby business.

And the two grubbiest terminations were yet to be settled. First was the exciting case of Harvey Wheeler, one of the Center's original senior fellows. With his legal counsel going—with a vengeance—after $47,041.46 in civil damages, Wheeler has demonstrated that there is no legal foe more bitter than an intellectual who despises the importance of money.

Wheeler, coauthor of the well-known novel *Fail Safe*, filed suit in 1976 with the charge that, according to the *Santa Bar-*

bara News Press, "the Center—which always has held itself out as a foremost defender and promoter of dissent and academic freedom—was trying to thwart his own academic freedom and harassing him because he criticized it after the bitter restructuring" of 1975. Wheeler was only partially upset over the termination of his prestigious academic post at the institution; he was more excited about the manner in which he had been ushered out of office.

Wheeler's suit charged the Center with harassment "concerning various files and papers which he removed from his office" and with "from time to time asserting and threatening to assert claims against his future intellectual work product and future writings on grounds that such might be traced to work done while he was employed by the defendants." The quest to solve society's "basic issues" dissolves into a scholarly kiddies' game of "I thought it up first!" They ended up settling out of court.

THE COMFORT CASE

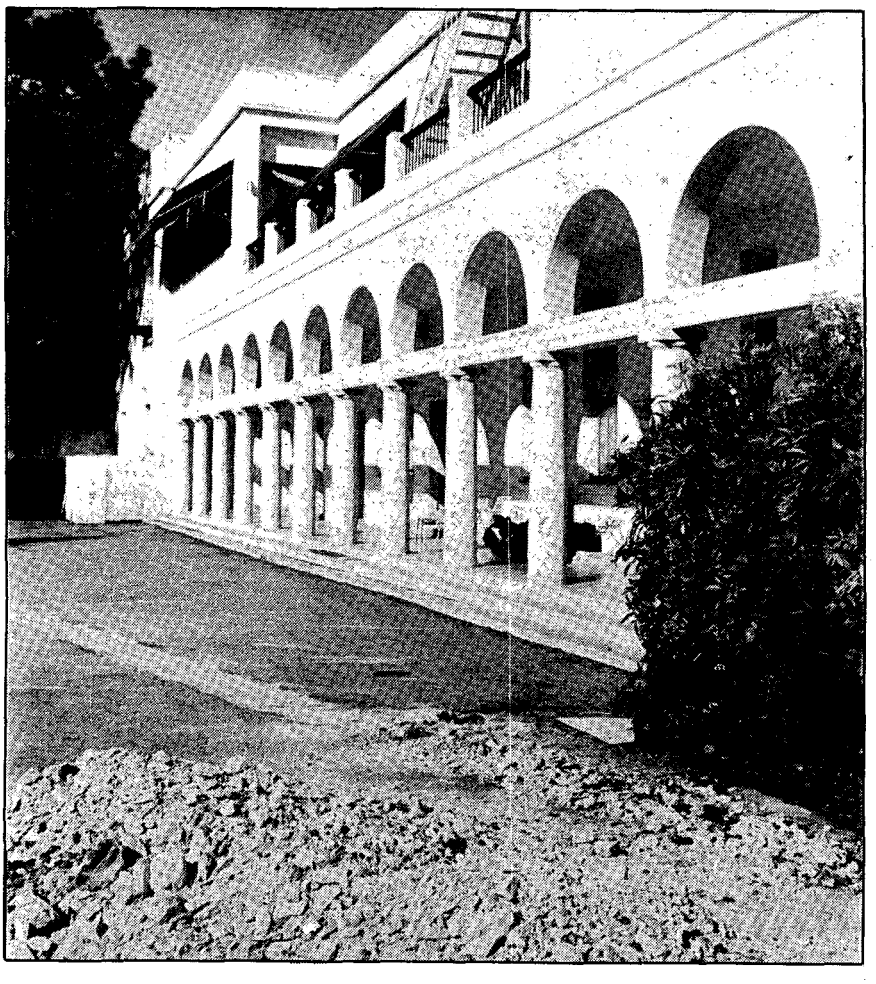
The second big Center drop-out was Alex (*Joy of Sex*) Comfort. Comfort, a gerontologist, had taken a walk on a tenured faculty position at University College in London, and his wife did likewise from the London School of Economics, to sail to Santa Barbara in 1974. The lure must have been tempting: a water-tight tax dodge to garner the profits from Comfort's bestseller.

Under the terms of the deal, the author was to donate all of the *Joy of Sex* royalties to the Center and to be paid back 80 percent as a resident senior fellow. In the grand shake-up of 1975, he was the only fellow not to be terminated —undoubtedly because of the value of his contract.

Comfort had moved half-way 'round the world to be at what he actually thought would be a "think tank."

Yet Comfort, who had moved half-way 'round the world to be at what he actually thought would be a "think tank," decided to jump ship. He, too, took to the courts, charging that he had been brought to the Center under false pretenses (the Center's financial security) and suing for over $400,000 in royalties. Although Comfort won the suit, the deciding judge was not impressed with the collectivist-oriented institute's most libertarian practices: "The shabby pact," ruled US District Judge David Williams, simply diverted income "away from the British tax collector"—an artistic maneuver, indeed, for the very same Center that delighted in publishing Gunnar Myrdal's preachings about a more equitable distribution of income via higher taxes on the wealthy.

Alex Comfort's financial charges were only his opening overture, however. He went on to assail the Center's ethics and presumptuousness. "The management and control of the Center was not in the nature of a democracy, but was a monarchy or oligarchy beset with machinations and intrigues more typical to a Byzantine house of ill repute." As for the Center's ill-chosen financial portfolio, Comfort commented that funds "had been imprudently and unwisely spent and dissipated principally for personal pleasures and unduly lavish benefits and travels of [Robert M.] Hutchins and those persons he sought . . . to favor."



POST-HUTCHINS LIFE

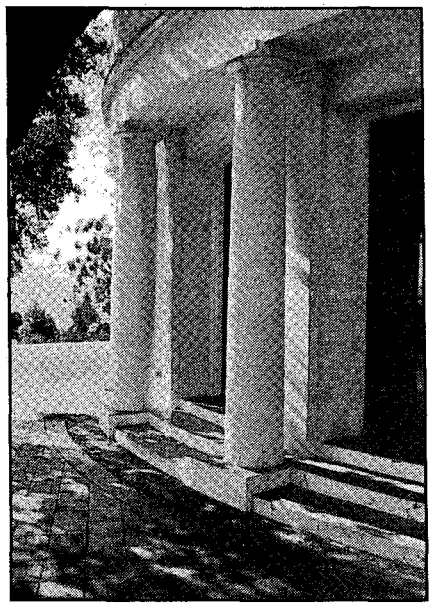
Well, Mr. Hutchins, the one-time prodigy turned cantankerous codger, is no longer a Center liability, for he passed away at an advanced age in the spring of 1977. The Center's leadership, which Hutchins had reassumed after the Moos attempt, passed to Maurice Mitchell, formerly chancellor of the University of Denver.

Mitchell set about consolidating the Center's monetary losses, liquidating what remains (about 11 acres and the original mansion, now in a jungle-like state of care) of the once-grand villa estate, and hopping into the friendly arms of the University of California at Santa Barbara. Somehow, it is no great surprise that this ivory tower ends up on the public dole. (Although the Center is to be formally affiliated with the UCSB Foundation, a nonprofit charitable organization set up in 1973, the university administration is not promising, but only "hoping," that the Center will be able to maintain financial independence after its "dowry" from the sale of the estate is used up.)

Press statements concerning the Center's move to the UCSB campus are full of amphetamine-like exuberance over restoration of the Center's resources and capabilities. Yet the very idea of alliance

with a state university is antithetical to the Center's founding vision. It was to be a unique mountain watch-out o'er society, uninhibited by the demands of government, industry, or—most forcefully—academia. It would, unhampered by the trivia and biases of the workaday world, lay down priorities for the rest of mankind.

That dream has ended. As an adjunct to the history department at one long-established government school, the Center for the Study of Democratic Institutions, with "Robert M. Hutchins" newly affixed to the front of its name, will become just one more office building, tossing out just so many more scholarly grants. The massive social changes that the Center so dramatically billed as imperative in its "model of the world system" turned out to not have been made in time. It has succumbed to the very forces it bemoaned so loudly.



The goal was to make us more "democratic" by figuring out a way to make us less "competitive."

A STUDY IN REALITY

Human "competitiveness"—that was the great malaise of our time. Yet the bountiful coffers that, having been donated by the most competitive of human institutions, were devoted to the cause of eliminating this scourge, were themselves depleted by the acquisitiveness of the enlightened so employed.

There is therefore a mistaken tendency to see this saga as a failed experiment: The goal was to make us more "democratic" by figuring out a way to make us less "competitive," and those who peopled the Center ended up sliding down into that dog-eat-dog pit of rivalry they so ardently feared. But this simply completes the Center's tale of pervasive irony.

Far from writing off this paradoxical intellectual establishment as Utopia Lost, we should hold it up to the light for the positive contribution it remains. For the Center has demonstrated, under the best of laboratory conditions, that the tide of human affairs churns onward without respect to "good intentions." The dynamics of society rest, not on what intelligent dreamers might hypothesize human beings to be, but only on the truth about what they are. Designing human institutions that give short shrift to individuals' inner characters, banking their hopes on realigning the subject to be studied, have even less chance for success in the enormous waters of the world at large than they have in the tiny Jacuzzi of progressive thought once situated on a pretty seaside hill in California.

When we come to understand that society's progress depends upon a regime of freedom, which provides the incentive for real human beings to channel their energies into constructive pursuits, and that progress does not depend upon the imposition of wise schemes by talented overseers of good will, we will have grasped the most important message of the Center's two decades of social work. It is important enough to launch the next great social experiment: The Center for the Study of the Center for the Study of Democratic Institutions. ◻

Thomas Hazlett, a frequent contributor to REASON, has published in Los Angeles *magazine,* National Review, Inquiry, *and other periodicals. He is a doctoral student in economics at UCLA and is on the staff of the International Institute for Economic Research.*

Wheeler

(*Continued from p. 25.*)

house deep-dish martinis—was accompanied by a 12-tone cacaphony from the best-liveried and highest-paid plate-and-chafing-dish band ever assembled. It was a din that could be duplicated only in an Eighth Avenue dress-making loft. Sighting through the ingeniously deployed liveried guards who ran the compound and across the jammed-in, too-small tables, huddled over by too many people in too-large chairs, I located my target.

"You finally made it," quizzical, raised eyebrow, near smile: the second sentence Bob had ever addressed to me. "Pull up a chair and have a drink. We've already ordered."

It was not one of the easiest missions of my young life. But finally, jammed in beside Bob, I looked around for a waiter. I knew better than to try the enlisted ranks of bus boys, set-up boys, salad and coffee boys, etc. Only the officer corps could help me. So, fixing my eyes sternly upon a handsomely uniformed officer guarding one of the mid-room zones, I waved authoritatively, turning back to the table expectantly. Nothing happened. Looking back at the still immobile fellow, I assumed I had not gone high enough. So, finding the eye of a more elaborately braided sub-altern, I reissued my feigned New Yorker's summons. Nothing happened. By now—a little nervous, self-confidence rapidly draining—I tried a higher rank. Same result. Spotting next a certified field general, tails and command trappings marking a man of real authority, I tried again. Same result.

Now, having shrunk to about three-foot-six in my outsized chair, I turned to Bob, who had been oblivious of my desperate plight, and asked, "How does a guy get a drink in this place?" Sizing up the situation immediately, Bob realized I had done right in bringing my problem to him. This was, after all, one of those crises top executives are for. Summoning himself to his full height—even seated, he was taller than most of the patrolling officer corps—he fixed his eye coldly on the nearest waiter and, with an imperious gesture, summoned him to the position of "pre*sent* menu" immediately, turning back to me benignly. Nothing happened! Mildly irritated, he then peered beyond the insensitive dolt—probably the recent recipient of a battlefield commission and too intimidated to move—and, fixing upon a superior of captain's rank, resummoned. Nothing happened!

This produced an alarming situation at our table. Conversation stopped. The other two looked aside nervously. This might not go well at the next board meeting. Best pretend not to notice. Bob, visibly disturbed by now, fixed his eye directly on a cruising maître d' and motioned an unmistakable direct command. The kind that says of itself, this is a *direct order!* We all relaxed... *nothing hap-*

pened. It was a crisis. I wished I'd never come. And it was obvious the sentiment was echoed by the others, in spades—daggers.

Bob, a calm, meditative attitude now settling over him, lifted both hands from his lap and, starting deliberately from the flanks of the carefully ranked pieces of silver flatware that lay before him, picking first the outside pieces on both sides, salad fork in one hand, soup spoon in the other, began gracefully tossing them in pairs, back over his shoulders.

Instantly, with the first clatter of the pieces striking the floor, we were surrounded by sedulously servile livery. The room's heavy din of talk and clatter ceased. Bob, summarily addressing the highest-ranking officer who had rushed up, pointed at me and said slowly, *"Get this man a drink,"* emphasizing each sternly delivered word with a punctuated jab that pointed every word toward me; and then airily waved them all away. The Men's Bar returned to normal. All was well. Bob turned to me, almost sadly, and said, "Harvey, I've never reached the knife."

He was not a systematic philosopher; he was the greatest one-liner in the history of Western moral philosophy.

INVENTED MAN

Whenever Bob's friends gather, the talk turns to Hutchins anecdotes. "Bob," Milton Mayer once wrote, "is the kind of man other men's best quips are always attributed to." But not this one. I was there. It's my favorite of the many Hutchins episodes I've witnessed and of all those I've heard related by others. It was a side of Bob that helps define his originality. He sometimes, with feigned modesty, confessed that he was not an original thinker. Perhaps. Judgment on that, with Bob as with anyone else, will wait a while. But he *was* an original *man*. He just naturally, without trying, invented new and exciting ways of being a man, the way others invent things like holograms and lasers. And not just in matters of personal style.

Bob also had the talent of graceful shaftsmanship. Bill Benton, who was a great, if difficult, businessman, adored Bob, as well he should have. It was Bob who, when Bill was his executive chief at the University of Chicago, suggested one day, "Bill, I think you ought to buy the *Encyclopaedia Britannica.*" The late Julius Rosenwald of Sears, Roebuck & Company had bought the plates during World War I in order to preserve them in the face of the impending death of the original company. But neither he nor General Wood was comfortable having a mail-order house publishing a distinguished encyclopaedia, and Wood had indicated as much to Hutchins. Just like that. An off-thought that Bill Benton soon recast into solid gold.

Bill once introduced Bob at a great ceremonial dinner as "the luckiest man in the world." Bob rose, and with elaborate care, managed his lank and limbs into podium position and said, "I must make a correction. I'm the second-luckiest man in the world. The luckiest man in the world is the previous speaker. He's never had to work for Bill Benton."

Bob functioned in a slightly different universe from the rest of us. It operated under enough of the same laws and principles so that there was sufficient coincidence to allow a realm of correspondence between his universe and ours, but for some purposes the two remained distinct. Bob's universe had different moral laws. It contained no Watergates, no godfathers. Its rhetorical landscape was carefully pruned of cliché and cant. Some inner censor, functioning with an editorial Calvinism, produced a bare-bones prose that drove his propositions directly into the brain with a drum fire of clear and distinct ideas: a Cartesianism of the moral order. He was not a systematic philosopher. He was, among other things, the greatest one-liner in the history of Western moral philosophy.

All of this issued from a physical and sartorial elegance which also seemed to be from another realm. Bob's shoes were always shined, but one could not imagine their *being* shined. Rather, the physical lawfulness of his special universe was such that dirt and scuffs simply didn't visit themselves on his shoes. It isn't that his fingernails were always immaculate; rather, it's that dirt simply didn't get under them in the first place. One could not imagine him picking his nose—*in private.* Biological laws were different where he lived. He didn't squirm or scratch. Itches just wouldn't dare bestir him.

INVENTED DIALOGUE

Years ago, in consultation with Bob (and Bill Benton on deck ready for the fiscal alchemy), Mortimer Adler began working on the Great Books series. He delved into the preparation of its crowning *Syntopicon* with the assumption that the leading thinkers of history had engaged in a "great conversation" that had reached across the centuries, analyzing, developing, relating, and synthesizing recurrent themes in some on-going fashion—in a "Civilization of the Dialogue."

Adler believed that this larger, meta-dialogue could be extracted from the Great Books themselves and then explicated for the benefit of others. In this fashion the *Syntopicon* might serve as a facilitator to enable contemporary readers to participate more intelligently and wisely in the great conversation Hutchins and Adler presumed had taken place. One of the purposes of the Great Books dialogue would be to introduce people in general to the great conversation.

To Mortimer's great surprise and disappointment, he found that the dialogue he and Bob assumed to have taken place had not ever occurred. There was some cross-reference by occasional authors, but by and large history's great minds had ignored one another's arguments. When told of this, Bob merely replied, "If it doesn't exist, it must be created." And he did.

He had concluded, with cosmic melancholy, that no college or university represents a true intellectual community.

The desire to inaugurate this previously unarticulated, great conversation was Bob's guiding motive from that time onward. This goal was what led him to resign from the University of Chicago ("not a great university, only the best there is") and later found the Center for the Study of Democratic Institutions ("not a great Center of independent thought and criticism, just the only one there is").

He had concluded, with the cosmic melancholy that pervaded all of his pronunciamentos, that no college or university, not even All Souls, represents a true intellectual community. Straight away, duty-ridden by Presbyterian birthright, he dedicated himself to founding one. Out of this persisting, 20-year quest evolved the Center for the Study of Democratic Institutions as it is today. ◻

Harvey Wheeler was one of the original fellows at the Center for the Study of Democratic Institutions. This article is adapted from an address written for the occasion of Robert Hutchins's 75th birthday, in 1974.

PETER THE HERMIT AND ALL THE KING'S ~~MEN~~ PERSONS

BY VICTOR BOBB

The Crusades had their problems; nobody denies it. What with bad weather and feisty paynim and the occasional plague and disease, not to mention assorted floods, wind storms, droughts, warlocks' curses, overturned boats, peevish knights, and recalcitrant squires' unions, it was rough skating for most of those who chose to pursue glory and salvation by freeing the Holy Land from the heathen grip of the Muslim. But whatever pains and frustrations and tragedies you might find in the annals of the Crusades, there's one thing that all those soldiers had that couldn't be taken from them: they got to go on the Crusade in the first place.

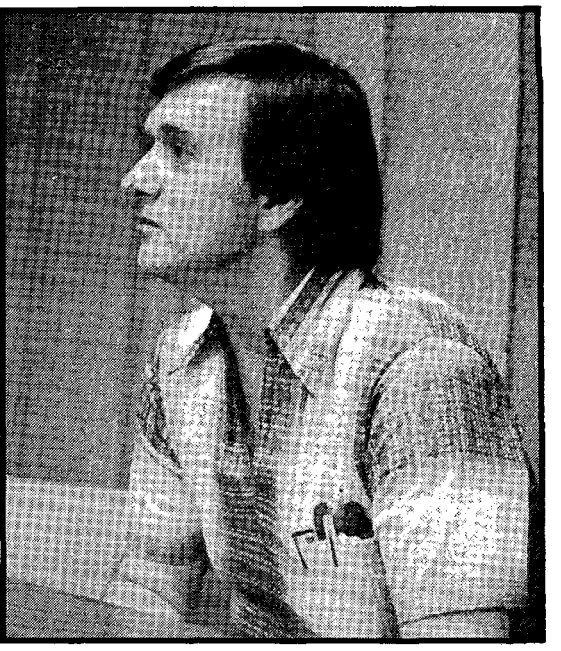
But alas, it wasn't to be so again. And that's, in the end, what really peeved Peter the Hermit. Sure, he had one pretty good Crusade under his belt, and he could be proud that it was he who had initiated the idea. But he found that one taste had whetted his appetite. He wanted to do it again, and this time he wanted to win. And there's where he ran into trouble.

Historians argue about the bureaucratic mistake he made just as they argue about the decisions that generals make in the field. Many defend Peter. Jurgen writes, "Peter recognized that a more broadly based effort might have a greater chance to succeed where his first, amateur, crusade had failed." Shandy notes that, "in truth, *Peter* could not have known how the events would run out, and so we cannot damn him for his fatal error." Other writers place the blame for the abortive outcome of the Second (or what should have been the second) Crusade squarely on Peter the Hermit's shaggy shoulders. As Grangerford puts it, "Even a hermit ought to have moxie enough to stay clear of the feds." The point can hardly be disputed.

Most historians agree that Peter never managed to raise a second crusade because he decided to seek governmental aid for the organizing and provisioning of his army. Despite the brief success of Godfrey of Bouillon, Peter recognized in 1112 that it was time for another shot at Jerusalem. Seeing that the French government was a weak and ineffectual reed on which to lean, he applied to the government of Henry I of England for assistance in setting afoot another Holy Cru-

(Continued on p. 38.)

The author of *How to Prosper during the Coming Bad Years* talks about his controversial "sell gold" recommendation, the sexual revolution, and libertarianism.



REASON INTERVIEW:

HOWARD RUFF

When the Ruff Times *newsletter first appeared in REASON's office, we thought it must be a joke. But it turned out that the man behind it is really named Howard* Ruff, *and his name just happens to correspond with the "gloom and doom" message he sells.*

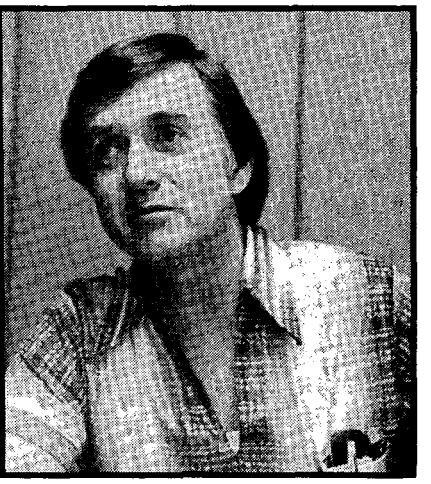
Unlike most other forecasters of hyperinflation and depression, Ruff did not just advocate gold, silver, and Swiss francs. Instead, he urged a total program of survival preparedness, beginning with a year's supply of food. His first book, Famine and Survival in America, *was a comprehensive presentation of the case for food storage. But since food storage seemed to have had its heyday in the early '70s, it was all too easy to dismiss Ruff as someone whose time had passed.*

And to anyone outside the direct-mail/list-rental field, that's how Ruff and his newsletter might have appeared—all the while the Ruff Times *had circulation figures climbing through the roof, becoming the largest hard-money newsletter in the country. The tremendous underground growth of the newsletter led, in 1977, to the birth of a weekly (non-network) TV show, "Ruff House," on which Ruff interviews financial experts, political figures, and innovators in such fields as energy and survival equipment.*

*It took until 1979 for the general media to notice Ruff. They could hardly help doing so, when his decidedly unconventional book—*How to Prosper during the Coming Bad Years*—was published by Times Books (a subsidiary of the* New York Times*'s parent company) and climbed onto the bestseller list, there to remain month after month.*

REASON interviewed Ruff in mid-October at our Santa Barbara office. He had flown into town as a featured speaker for the City College adult education series—where he proceeded to draw the biggest crowd in the series' history. Editor Robert Poole sat down with Ruff to find out more about this man whose views are in such demand.

I went broke in 1968, and I became determined to study every mistake I'd ever made, and that led me deeper into the study of economics.



REASON: How does it feel to have a national bestseller? Did that surprise you?

RUFF: Well, no. To be perfectly candid, we knew we had one as soon as we wrote it. I had an advantage over most authors in that I have a marvelous way of taking the pulse of what the public is concerned about and the questions they'd like answered. At our member services department, we've had literally tens of thousands of questions, which are carefully tabulated on the computer, so we know what questions people need answered.

REASON: How many subscribers do you have?

RUFF: We have 115,000 now. And the second reason we knew it would work is that I think I have a very good feel for the economy, and we knew that our timing was right, with the rising levels of concern over the same things I am concerned about. And, third, we had a commitment, a total commitment, from our publisher to make it the number one book of the season, and that makes a difference, too.

Let me make another point. Actually, the book was written as a basic text for subscribers, so when a new subscriber comes in or calls in on the services line, they won't be asking the same old questions over and over again.

REASON: It was going to be self-published by your company?

RUFF: Well, originally that was our intent, but when it was done we decided it was worthy of presenting to publishers. So I sent my partner to New York, and he showed it to seven publishers. Six of them made bids—a nice little bidding war—and Times Books won out.

REASON: Could you give a bit of background on how you came to hold the views that you have—views on personal responsibility, economics, and politics. Have you always had the views you have now?

RUFF: That's the first new question I've had in a long time. Well, I think all of us are the product of experience. There are several major factors that influenced me. First, of course, is my Mormon upbringing. And the old 19th-century work ethic —be independent, self-sufficient; don't rely on anybody, including government; man's free agency is a critical part of the divine plan; be self-sufficient in terms of food storage and concern about debt—all of these things influenced me very much. They're not so much theological concepts as they are the product of the 19th-century when the Church rose, and the Mormons are pretty good at passing their values on to their children.

I think the second major factor was that I went broke in 1968, went bankrupt, and it was such a tragic time in our life, just preceded by four months by the death of one of our children, that I decided that somehow I was going to make some good out of all that. So I just became determined to study every mistake I'd ever made, and that led me deeper into the study of economics. Some of it was fortuitous; when I was in college I was majoring in music education and I had to pick a minor, so I picked economics out of thin air and found I loved it. There's also my training and background in show business—I was preparing for a singing career.

REASON: But in economics, weren't you exposed to the standard Keynesian interventionist sort rather than free-market economics?

RUFF: Well, I was, but you also hear a lot about free-market economics at Brigham Young University. I was really exposed to a fairly broad spectrum, and I got out of college before it did me any permanent harm in that respect, anyway. I never finished. I ran out of money my senior year. Then I was bored with the four years I spent as a soloist with the Air Force Band, because I only worked an hour and a half a day in Washington, DC, so I took a job as a stock broker. Then I had a speed-reading business—that was the business that went broke in '68, when my franchise was cancelled—and I learned to read rapidly. I have a love of reading and just began delving into the subjects I was interested in. So it's really a culmination of things that has led me to where I am.

REASON: I understand that shortly before gold broke the $400 mark recently, you advised your clients to sell gold. Is that correct? And if so, why?

RUFF: It was just *after* gold had broken through four hundred. Just two weeks earlier, I had said: "Gold looks like it's breaking out. I've been very cautious up to this point; now let's buy. I am less afraid of a decline than I am of whatever is scaring the people who are buying the gold, because most of that buying is coming out of the Middle East." But within the two-week interval, about eight days, the nature of the market was just suddenly and abruptly transformed—gold went up $75 an ounce in that very brief period. And those Middle Easterners weren't buying it now. Now it was a speculative mania. All of a sudden, people were throwing money at coin dealers and commodity brokers all over the country and saying, "Make me rich." And the quality of phone calls to our membership service changed. We had people calling in and saying, "Should I borrow against my home and buy gold? Or should I borrow against my survival silver coins and buy silver?" Silver was going absolutely crazy. It was not reacting in

Hedging against inflation has to be done with something that is relatively rational and predictable, and all of a sudden gold was neither.

relation to any kind of fundamentals, in my opinion. The dollar hadn't really broken that much, of concern to anybody. And I said to myself, this is crazy. Hedging against inflation, hedging against anything, has to be done with something that is relatively rational and relatively predictable. And all of a sudden, gold was neither rational nor predictable.

So I said to myself, adding all that up, What principles really apply? Now I had three basic principles here. One was, gold and silver are long-term inflation and chaos hedges that you should buy and hold forever. The second was that I want to help people beat inflation, plus a little bit. And three, I do not want to lead people into high-risk speculation. Those principles were in conflict. I decided that the principles of bailing out of a speculative situation and of trying to rationally beat inflation precluded the first one, which is buy and hold forever.

So I said to my subscribers, here are three options: One, hang on if you've got the guts to go through some terrifying swings and probably a dramatic, highly leveraged margin-call crash in those markets. If you can handle that, hang on, be my guest, that's rational. Because a year, year and a half from now, it'll be back up there and it'll be okay. Second was, sell enough of your coins to put your money back in your pockets, and then you'll ride free with the rest, and that shouldn't be too traumatic. You ought to be able to live with that. Or third, bail out entirely—I have a hunch we'll be buying bags of silver coins under $6,000 one of these days, and we'll have twice as many bags for the money or we will have the same number of bags for a lot less money and an investment nest egg to work with. But, the decision was up to the individual based on his temperament and his circumstances. I knew I was going to lose some subscribers over it. There are a lot of people to whom gold is a religion. They worship the golden calf, and I deserted the true faith for some of them.

REASON: In the discussion of cities in your book, you warn about breakdown of services, and you talk about the tax revolt as contributing to that...

RUFF: Well, my characterization of the tax revolt as a problem for the cities was based on two or three assumptions. One, that it would not be accompanied by corresponding cuts in spending. I was making a bet, in effect, that we will not have the political will to really seriously cut the spending, that when it really begins to bite, the public will revolt against the revolt. The second assumption was that if two or three big cities get in trouble at the same time—in serious financial trouble—and their bonds get rated down or they go into temporary default like New York and Cleveland, the entire municipal bond market will be severely damaged. And if the bond market is down and interest rates for that kind of borrowing are driven up by, first, the long-term rate of inflation, second, Federal Reserve moves, and third, fear over the safety of such securities—of the municipal bond market in general—this becomes a horrendous drag on the finances of even cities who manage their affairs well.

REASON: That's a good point. They all get swept up.

RUFF: Yes. That's my concern. So I myself prefer to live in a town that has a minimum of social problems, that will not have one big plant or industry that will shut down and put everybody out of work, needing help from the city or the county.

REASON: You advise people to go to small towns. How small is small, and what other characteristics would you give as a guideline for choosing where to live?

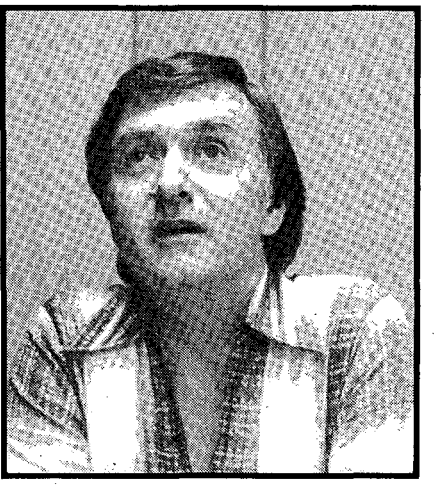
RUFF: Well, first let me tell you why I'm asking people to move to small towns, because it's not quite as obvious as you might think. I was on "Wall Street Week" recently, where Lou Rukeyser said that I was telling people to leave the cities, to flee them because of personal danger, and to leave the suburbs. Well, I didn't move out of Danville, California, to a little town in the central valley because I was afraid Danville wouldn't be *safe*. I moved out of Danville because I felt that the real estate bubble in those big cities, the highly leveraged bubble, was about to burst. Home prices had risen beyond their economic value as measured by going rents in the area. Also, I wanted to invest in real estate, and I refused to take on negative yield in buying an apartment building. You cannot get positive yields in big cities.

REASON: You're getting positive cash flows on rental property?

RUFF: Yes. And I have the feeling that if there is a real estate decline in small towns it would be nowhere near as much as in the highly leveraged areas where there are negative cash flows.

So the characteristics of a small town are that, one, it does not have a large government-dependent population or a potentially government-dependent population with high unemployment and severe social and racial problems. Because that's going to hit the taxpayers in the suburbs severely and create the kind of problems that can disrupt the distribution of goods and services for unpredictable periods of time. Second, I want to make sure it has a diversified agricultural economy so it can be relatively self-sufficient as a community if the worst possible case materialized. It could be a city as big

I am very worried about anything that assaults that basic structure of our society, the family; but I'm even more worried about laws regulating our sexual behavior.



as Salt Lake City which meets my criteria—the work ethic is still alive in Salt Lake City; a lot of Mormons there are prepared for hard times. Or it could be as small as 1,000 people. Many people have interpreted my position on this to mean, get a retreat in the mountains somewhere, but that's not the case. If the worst case really developed, I think it'd be kind of dangerous to be out there alone all by myself. But I don't expect the worst case to develop, anyway.

REASON: You advise people to either own their home outright or to have it mortgaged to the hilt. Isn't owning it outright a waste of capital in today's interest rate market?

RUFF: Oh, yes, it is. But you have to remember that a home is two things. It is both an investment—for many people the most important investment they have. And, second, it's the place where you live—a secure place, your castle, your personal retreat. And there are those who probably should own their home outright so they could never lose it, so that it could never be taken away from them. They will have a place to live, and if they followed my advice about food storage they'd have something to eat, they could be self-sufficient on zero income if their home is paid for. I myself am leveraging my home. I went into it with the smallest down payment possible. When I have built my liquid investment estate to the point where I could liquidate some specific percentage of it that I have in mind, and pay off my home, I will do that.

REASON: That's one of your goals?

RUFF: Yes. Even though from a strictly dollars-and-cents point of view I shouldn't do it, it's my home, and for my family and security that's important. My argument in the book was that anything in between these two alternatives is a compromise combining the worst features of both courses of action.

REASON: But isn't the level of risk of having it highly leveraged pretty tough in terms of a depression? Do you really have evidence that in a depression the banks would not want to foreclose on a home in which you had little equity?

RUFF: You bet I do. In the depression of the '30s there was a period of about six months when the banks were foreclosing all over the place, and all of a sudden they found themselves on the verge of insolvency because of their foreclosures. For example, if you have a home worth $100,000 and an $80,000 loan on it and the bank forecloses, they're going to take on a $20,000 equity and write off an $80,000 loan. Whereas, if you had a home with a $20,000 loan on it worth $100,000, they'd love to take that. They pick up a nice, big, healthy equity. I think there's more security in being highly leveraged. Now in that period in the '30s when they foreclosed all over the place, all of a sudden they had to stop, because when everybody's in trouble, nobody's in trouble. So they made deals—pay us what interest you can, and we'll reinstate the loans later on. One of my recommendations, if you do get highly leveraged, is to make sure that some of the money that you pull out of there is invested in liquid assets, so that you can liquidate some of it at a time, like your gold coins, for example, and make the mortgage payments and keep your home. Also, I don't believe in borrowing against a home to put money into non-income-producing assets.

REASON: One argument that's raised against general gloom-and-doom kind of analyses, that I think has been raised against yours, is that a lot of South American countries are surviving and coping with inflation rates of 30-40-50 percent. It doesn't go into runaway inflation and collapse. Now is there something different about the United States that makes the Latin American model not apply?

RUFF: The premise is unsound. Brazil, Argentina, Chile, ended up with serious flirtations with communism and military dictatorships. Now, if you think that's a nice solution for this country, then be my guest. That's point number one. Point number two, they've been smart enough there to try to obviate the effects of inflation by indexing. That postpones the day of collapse.

Brazil is a very interesting case in that they really pulled themselves out of a much higher inflation rate and reduced it by one very important decision—they decided that nobody could import an automobile into that country. All automobiles had to be manufactured domestically, and every major automobile manufacturer in the country built plants in Sao Paulo—a city of 14 million people—and built automobiles like crazy. And they were able to increase the productivity of the average Brazilian by anywhere from four to six times in a relatively short time. You *can* produce yourself out of an inflation. But how are we going to increase the productivity of our workers four or six times?

Last point. In Argentina, political assassinations from the left and the right are the order of the day. But the Argentinians do know how to fight inflation. There is no Regulation Q limiting the amount of interest the banks can pay you. They'll shift their money in 30-day CD's from one bank to another, and they can equal the rate of inflation with their investments and maintain the value of their holdings. We don't do that in this country. And last of all, these countries have survived because they have received help from the international finan-

I would say that the odds have shifted to roughly 60-40 in favor of one more recovery, that we will manage to inflate ourselves out of one more recession.

cial community, and primarily from this country. Dominant civilizations can't tolerate these high rates of inflation, whereas small countries which are bailed out by their big brothers can.

REASON: Let me briefly touch on a controversial chapter in your book. You say, "Sexual revolution represents a great threat to our economy. It may be the one factor that can cause all of our optimistic forecasts of economic recovery to go astray." What's the connection?

RUFF: The argument that I make is really based on John Adams's statement that, "the Constitution of the United States was designed for a moral and religious people and is inadequate for the government of any other kind." Now, remember, John Adams was also opposed to the combination of church and state, so he wasn't talking about the establishment of a religion. So what did he mean? My opinion is that he was telling us that the Constitution assumed a certain amount of self-restraint in many areas of life that can never be regulated by law. That if you do not have that self-restraint, the Constitution won't hold up, because the only alternative will be to come up with a web of regulations that will stifle society—precisely what we are seeing today. Societies perpetuate themselves if they pass their values and their wealth on to the next generation in a systematic and orderly fashion.

Now, the sexual revolution basically weakens the nuclear structure of society, the family. Even with our supposedly enlightened attitudes toward sex today, the chief cause of divorce is still adultery. I'm concerned about the million and a half family units that were started without a marriage, into which a child was born, last year. Four out of five of those relationships will break up, leaving a dependent mother and children to be supported by the state or the county or the HEW or somebody. Now, that has an immense effect upon our pocketbook. But more than that, the odds of that child being into drugs, shoplifting, heavy crime, truancy, rise almost exponentially. And what's more, the chances of the basic structural values of our society, that we passed on pretty well for 200 years, being passed on to those kids is really pretty nil, because the mother is probably out working and the kids are at a day-care center.

I think we ought to elect Teddy Kennedy president of the United States —he's much too dangerous as chairman of the Senate Judiciary Committee.

Basically, it boils down to one simple principle. An economy can only be interpreted in the light of the background of the society in which it functions. If the society is crumbling at its basic, most nuclear structure, which in our society is the family, it's like hiring a Picasso to paint a great masterpiece on a rotten canvas; and the Picasso is the people manipulating the economy, the painting is the economy itself, and the canvas is society. So I am very worried about anything that assaults that basic structure. But I'm even more worried about laws regulating sexual behavior.

REASON: I was going to get to that. I was very pleased to see that in your book you make a distinction between people's own moral decisions and laws regulating them.

RUFF: We have no good choices right now. If we continue our present course, I think we may see the destruction of our society. If we come up with laws to try to regulate human sexual behavior, we may see the destruction of our liberties. Bad choices, and I am not one of those who considers himself smart enough to know which choice to make.

REASON: Do you consider yourself a libertarian?

RUFF: In the economic and political area, I'm much more a libertarian than a conservative. I fall short of being a complete libertarian for one very important reason. I cannot fully accept a philosophy that's based in humanism as such.

REASON: Not all libertarians do, either.

RUFF: I understand that. But the core of libertarian thought is humanistic—for example, Robert Ringer's new book, nine-tenths of which I absolutely love. But I have to back away from his humanistic, totally libertarian philosophy because I accept some absolutes in life. I also, however, accept the fact that I cannot impose my absolutes on the next guy.

REASON: Do you see the Libertarian Party as being a serious political force or potentially serious political force?

RUFF: Not in this election. I try to deal with the art of the possible. In fact, I've come to the conclusion that we ought to elect Teddy Kennedy president of the United States.

REASON: Well, I'll have to ask you to justify that statement.

RUFF: He's much too dangerous as chairman of the Senate Judiciary Committee. We've made our last five presidents impotent, destroyed their influence—it took about two years to go from being elected to zero influence. I don't think Kennedy could stand the daily light of publicity on his character, his family, his attitudes, his policies, that the press corps would give him. So let's get him isolated in the White House where he can't do us any harm. I'm only two-thirds convinced of that, but the more I think about it, the better it sounds.

One last point, and this is serious. Whoever is in the White House in the next four years is going to be sitting on top of a runaway inflationary depression. And for the next 50 years the opposing party is going to be running against whoever that is. The presidency is relatively a weak office now, so I'd just as soon have somebody sitting there that I would feel good about having blamed for the mess we're going to be in, even though I have to admit it won't be his fault.

REASON: He'll be another Herbert Hoover.

RUFF: That's right.

REASON: That's very plausible. Let's go back to some of your investment and survival advice. Most of the other people who are advocates of hard money, as you are, tend to neglect or ignore the opportunities for making money in real estate. How would you characterize your basic investment strategy?

RUFF: Well, I think that most people in the hard-money area tend to make it a kind of religion. But I really have no particular ideology relative to investments. You have to maintain a very high degree of objectivity when it comes to money.

I'm trying to find ways for people to diversify across the spectrum. There's no perfect investment. Gold's not a perfect investment. The government can bomb the gold market down a hundred points in a day if they want to. Its advantages outweigh its disadvantages in normal market conditions. Diamonds—heck, the Russians could decide to dump all their diamonds on the market. You could worry about that. You could worry about real estate, because of rent control. I can think of all kinds of reasons to not buy anything. But I try to be pragmatic and spread my risk across as many markets as I can come up with that deal with inflation.

But even more than just investments, we've been exploring, more so than anyone in the country, ways of preserving wealth so it can be passed on to the next generation. Some of the traditional financial planning techniques of freezing estates and

trusts and so forth have been inadequate, because they have not taken into account inflation. They pretend it doesn't exist. We have really married these two concepts. We have come up with programs for helping people freeze their estates, pass their wealth on to their children, and using inflation to benefit them. Hans Sennholz has done a lot of work in this area, and we have too. That, combined with precious metals and real estate investments, gives you a relatively safe, diversified way to beat this immoral, vicious inflation game that the government's playing with us.

REASON: So it's a more comprehensive approach than simply hard money.

RUFF: Oh, it is. Hard money's an important part of my philosophy, and I want us to remonetize gold just as bad as Jim Blanchard or Ken Gerbino or any other advocates of it like Jim Dines, but you have to recognize that you must be pragmatic.

REASON: Most of those who are promoting gold are talking about it, at least partly, as a survival factor. But as you point out in the book, they neglect other things that have survival value as well—food, medicine, ammunition, and so forth. Why is this?

RUFF: They didn't have the advantage of growing up a Mormon.

REASON: Well, that may be the key.

RUFF: You know, I have all kinds of people say to me, "I like everything you say. I've really taken your advice. I haven't gone so far as to buy food, however." And so I just say to those people, "Are you expecting financial chaos, runaway inflation?" They say, "Yeah, that's why I'm buying gold and silver." And I say, "Well, do you honestly believe that in a period of financial chaos, runaway inflation, interest rates going through the ceiling, credit markets breaking down, you can drive down to the supermarket three times a week and select everything you want from a dazzling array of products on the shelves that appeared magically overnight?"

REASON: How do you answer the charge that you're advocating hoarding, and it's antisocial?

RUFF: Hoarding is going out and acquiring more than your fair share of something which is scarce, depriving others of the opportunity to get it. But when you go out and store food, for example, wheat, when we have mountains of surplus and farmers are screaming to sell to China or to the Soviet Union, you're not hurting anybody at all. If shortages do arise, you'll dip into your supplies and there will be more for the others to share. And would you really want, if you lived in my town, to be in a line at the store for rationed food and see Howard Ruff and his wife and nine kids in line in front of you?

REASON: In the book you say, if it looks as if we're headed for a real international chaos, get out of Swiss francs. Why do you make that recommendation?

RUFF: Well, I don't think I said it in exactly that way. What I said was that a lot of people in the hard-money field have advocated that you should send all your money to Switzerland because it's safer there. But if you have international financial chaos, runaway inflation, the whole international monetary system coming unglued while they're waiting to come up with another one that'll work for a while, you may not be able to send money back and forth across international borders. The Swiss bankers could just say, "Hold it," or the United States government says, "No money's going in or out." That can happen. And just at the time when you want to get your hands on it the most, it's in Switzerland.

On the other hand, Harry Browne, in my opinion, has a very sound idea when he says that maybe 10-15 percent of your money could be in Switzerland, because there it's protected against irrational moves by our government. And at least you have something out of the country that might be safe if the banks have serious problems and literally have to freeze withdrawals from the banks, which they have the power to do under present law. I have a stack now of about a hundred statements from a hundred different banks that my subscribers have sent me that have come to them in their regular monthly statements from banks, saying that we want you to know that we have the right to require 60 days' notice on withdrawals, but don't worry, we won't do that except in "cases of financial excitement"—which is precisely the time when I want to get my money out of the bank. So the law is there.

I prefer to keep my money in this country if I can, most of it; some of it overseas is a good idea. I prefer to have it in liquid form—outside the banking system for that which I *must* keep liquid. So I like the money market funds that invest in T-bills. And then there's some of it I want in inflation hedges that I can just hang on to, and it'll come out the other side with real value.

REASON: Compared with the time you wrote your book, are you more or less optimistic with respect to the prospects for "coming bad years"?

RUFF: Am I more or less optimistic? You mean optimistic about being right or pessimistic about the future?

REASON: However you want to take it.

I fall short of being a complete libertarian for one very important reason: I cannot fully accept a philosophy that's based in humanism as such.

RUFF: I am even more persuaded that we're going to find runaway inflation. But there are about three major changes in stance. In the book, on the back cover, it states that there's a 70-30 chance that this recession will turn into a major inflationary depression. I would say that those odds have shifted roughly 60-40 in favor of one more recovery, that we will manage to inflate ourselves out of one more recession, and I'm basing my own plans on that assumption. I think we'll see a recession that will look deflationary; in fact, it will look like those in the hard-money camp who have a deflationary scenario are right. We'll see bankruptcies, we'll see falling prices, falling interest rates, and falling gold prices, falling silver prices, maybe a year-, year-and-a-half-long bear market in those metals. But we will inflate ourselves out of it with a rush. The government that is enthusiastically fighting inflation with monetary policy will just as enthusiastically fight recession and lay the groundwork for the next huge round of inflation, and that's the one I think will break away from us, will get out of hand.

The other changes I would like to have made in the book would be to kind of update my advice on gold. We're trying to figure out how to get that into the paperback. There're going to be two million paperbacks on the market by January 15. We did go back and rework all the numbers, because when I wrote the book, silver was $4,200 a bag, and gold was $200 an ounce, so we had to readjust those numbers and come up with different mixes of investments for portfolios of $10,000, $50,000, and $100,000. Other than that, I'm prepared to stand where the book stands.

REASON: Very well. Thank you very much. ◻

by Sarah E. Foster

Look What The Stork Brought To Phoenix!

Entrepreneurs are meeting the demand for safe home births.

THE BABY BUGGY, trundling along to homes in all parts of the city and its far-flung suburbs, is becoming a familiar sight to residents of Phoenix, Arizona. It is a huge, 24-foot-long GMC motor home, completely outfitted with first-class equipment as a mobile obstetrical unit. Two remarkable women—Gladys McGarey and Barbara Brown, a doctor and a nurse practitioner—have transformed a good idea into a reality, one that could revolutionize the rapidly growing home-birth movement.

Why do some women, rejecting the presumed benefits of a modern hospital, choose to have their babies at home—even going so far as to give birth unattended when they cannot get trained help? "It's the *freedom* they want," explains Ms. Brown, "they want to be able to do their own thing." And in this case, that means being able to select who will be present at the birth — not only the father, but children, other relatives, and friends. It means being able to move about during labor, have snacks, and be unrestricted in movements during delivery—all of which is difficult in a hospital setting, if not prohibited. It means control over one's own experience of giving birth. Yet many people see home birth differently.

Opponents of home birth, who include most members of the medical profession, object to it on the grounds of possible danger to mother and child. Citing statistics and horror stories, they argue that a woman who chooses home delivery is playing a kind of Russian roulette, not only with her own life, but with that of her baby. Medical organizations generally follow the line laid down in 1975 and reaffirmed in 1979 by the 19,000-member American College of Obstetricians and Gynecologists (ACOG): the "potential hazards" of birth, both to mother and child, "require standards of safety which are provided in the hospital setting and cannot be matched in the home situation."

More blunt and direct is an editorial in the *ACOG Newsletter*, in July 1977. Titling his piece "Home Birth Crisis," Warren H. Pearse, executive director of ACOG, spared no hyperbole: "Home delivery is maternal trauma—home delivery is child abuse!" He attributed what he called "the rising tide of demand for home-delivery" in part to the trend toward natural childbirth and noninterference and in part to an "anti-intellectual, anti-science revolt, of which the non-drug Laetrile is another current example."

To back up its position, in January 1978 ACOG issued a press release announcing that data collected from 11 state health departments show that "out-of-hospital births pose a 2 to 5 times greater risk to a baby's life than hospital births." Critics, however, were quick to point out that the survey is not an adequate or accurate evaluation of the safety of elective home birth, for included in the statistics are *all* out-of-hospital births: unplanned home births, unattended home births, late spontaneous abortions, etc. It is far from a convincing report.

Home-birth enthusiasts counter that the risks attributed to it have been greatly exaggerated. They point to several studies by Lewis E. Mehl, MD, especially one conducted in 1976 that matched over 2,000 women—1,046 home deliveries, 1,046 hospital births, in a comparison study. The women were matched for age, risk factor, gestational length, parity (previous deliveries), education, and socioeconomic status. Data were from seven home delivery services and two hospitals. "There was no significant difference in the incidence of fetal, intrapartum or neonatal deaths," Mehl reported. Provided the woman has been selected as medically low-risk and is attended by a midwife or physician, he concluded that "home delivery is an alternative that cannot be dismissed because of unacceptable high risk to maternal and infant health."

Besides claiming that home birth is a safe experience for the vast majority of women, supporters go on to make an even stronger case—that it is actually safer than hospital delivery, because hospital practices put mother and child in danger. To illustrate, they cite horror stories, the validity of which is occasionally acknowledged even by opponents. For example, Dr. Saul Lerner, a participant in a 1979 ACOG-sponsored round table on home versus hospital delivery, admitted that there are two sides to the issue. "I did a survey for a debate on the home vs. hospital delivery issue," he said, "and came across a major public health problem. I came up with a book of horrendioma on home birth. But if I'd been assigned the other side I could have called hospitals and come up with horrendioma that would make us look sick."

Now if the members of ACOG, or any other medical organization, wish to proselytize for hospital delivery, issue policy statements, and present evidence to document the reasons for their views, that is their right. But they go much further, threatening and intimidating those who do not agree with their stand. Many doctors are refusing to give prenatal care to women who are planning an out-of-hospital delivery. That is the doctors' pre-

rogative, of course, but often their refusal comes from a fear of reprisal—loss of hospital privileges or withdrawal of insurance coverage—rather than from genuine acceptance of ACOG's policy on home birth.

And physicians' reluctance is not the only obstacle to home birth. Hospitals are refusing emergency care to home-birth couples. The opening of independent birth centers is stymied by regulations and restrictions, and efforts to establish midwifery training programs are constantly impeded. Pressure is exerted through the legislatures, the courts, and the medical licensing boards.

Yet despite the opposition of a large part of the medical establishment, home birth continues to gain popularity. At present, only one or two percent of all babies born in the United States are delivered at home, but the number is increasing.

"Our arrogant opposition to home birth has been unsuccessful," admitted John Miller, Jr., MD, another participant in the ACOG round table. But "embracing" home birth "is unacceptable," he added.

But why must working *with*, rather than *against*, home delivery be regarded as unacceptably "embracing" it? Why not work to see that many alternatives in childbirth are available to a mother and that out-of-hospital birth is made safer, while hospital delivery is made more attractive and satisfying? Narrowing the margin of danger, however wide or slight and whatever the alternative chosen by a mother, should be welcomed.

The independent birth centers that are springing up throughout the country are one such alternative. They provide a sharp contrast—and competition—to the hospitals supported by ACOG as the *only* place in which a woman should give birth. A mobile obstetrical unit such as the "Baby Buggy" offers another alternative, and a highly feasible one. It is designed specifically to narrow whatever margin of danger is associated with home birth.

The idea is that of Dr. Gladys McGarey, a charter member of the American Holistic Medical Association and its first national vice-president. She and her husband, William McGarey, have been physicians in Phoenix for over 30 years. They founded the Association for Research and Enlightenment (ARE) Clinic, a nonprofit corporation that initiates research into the concepts found in the writings of Edgar Cayce. Along with other related activities, the clinic provides various out-patient services. "Dr. Gladys" has hospital privileges at two major hospitals in Phoenix and is on the Obstetrics and Gynecology Committee at one of them.

When the home-birth movement began to gather steam in the early 1970s, Dr. Gladys was not one of those who refused to provide prenatal care. While she did not want to do home deliveries herself, she was concerned that so many of her patients were determined to have a home birth anyway. There was no official back-up at the hospitals for mothers who might suddenly have difficulties. "It was getting pretty scary," she says. "It's not that they didn't care (about safety); they *did* care, but the important thing was that they were going to have home delivery."

So about seven years ago she began to formulate a home-birth program for the clinic. What was needed, she decided, was a paramedic van and a fully trained nurse-midwife, someone who could handle emergencies as well as normal births. Putting this plan into effect took Ms. Brown, a woman with more than 20 years of intensive obstetrical experience in England and Canada.

A nurse-midwife is a registered nurse who has had additional training in obstetrics and the actual delivering of babies. Ms. Brown had received her nursing degree and midwife training in England, where for seven years she did both home and hospital deliveries. Upon emigrating to Canada, where there wasn't any home-birth program, she worked entirely in hospitals. Besides her work as a midwife, she was responsible for setting up an obstetrical department at a hospital in Ottawa.

Then she found herself at a crossroad in her life. As she puts it, "I needed another challenge. I'm always looking for challenges." She came to the United States, intending to get involved with home births. A new program had been started at the University of Arizona in Phoenix, a program to train Family Nurse Practitioners, able to attend to a family's basic medical needs. She saw this as a way to broaden her medical skills.

To earn her FNP diploma, it was necessary to find and work with a tutor for six months. Purely by chance, she applied at the ARE Clinic, one of three recommended by the university. On walking in, "I felt I'd been here all my life," she exclaims. She was hired on the spot and began to do home births in January 1978. "She needed us, and we needed her," says Dr. Gladys.

THE BABY BUGGY IS BORN

Word went out to friends and associates that the ARE Clinic was looking for a suitable van. One was soon located in

Santa Fe Springs, California. It had been built and outfitted as a paramedic unit but never used because the brakes were below-standard for California hills. Since Phoenix is flat, however, it passed inspection. For $21,000, borrowed from a bank and being paid off in installments, the clinic had its Baby Buggy. About the only modification was to remove the whirling yellow light from the roof and to paint the outside—cream, light blue, and pink—with the ARE logo on one side, a stork-with-baby on the other, and the name ("The Baby Buggy") and phone number.

The interior needed no alteration. Ms. Brown selected the type of equipment found in the "Flying Squad" ambulances, so important to the home-birth service in England. There is an isolette ("incubator") for babies in distress and two oxygen tanks. A portable fetal monitor can be brought into the house so that the baby's heart beat can be frequently and accurately checked. There is a small refrigerator for blood and urine samples, equipment for giving intravenous injections, and a stretcher for transporting the mother to and from the van if it is necessary to take her to hospital. A telephone has been installed beside the driver's seat. Everything, right down to the batteries, is checked thoroughly once a week.

As a family nurse practitioner, Ms. Brown is qualified and permitted to deal with a number of problems and to make decisions on medical matters. "Not every baby that needs a bit of oxygen or warmth needs to go into hospital." The isolette can be taken into the house for a delivery, warmed up, and made ready with oxygen—just in case it will be required.

Besides the paramedic equipment, the Baby Buggy contains several items for optional use during labor. A silk-screen print of the Nativity scene, a gift from a patient of Dr. Gladys, has been framed and may be used as a focusing point (part of the Lamaze "natural childbirth" technique). Recently a tape recorder was donated, for women who wish to hear music or to record the birth. And there is the famous "bean-bag" chair, stuffed with a kapok-like material, to give support for delivery in an almost-seated position—a position many women find far more comfortable than the supine position that is (or was until very recently) standard for hospital delivery.

WHOLE-BIRTH SERVICE

Ms. Brown is on 24-hour call, seven days a week, fully prepared to attend a birth at any time. One of the advantages of home delivery, as opposed to hospital, is that a woman can give birth when it is her time. She is not given drugs to accelerate or impede labor for the convenience of the staff and obstetricians, a practice found in many hospitals. Asked what would happen if two women went into labor at the same time, Ms. Brown laughs. "Well, they don't dare. They're all under strict orders not to." Joking aside, to cover this possibility, the clinic has recently hired a family physician to be on stand-by for home births. Up to now Dr. Gladys was prepared to do occasional home deliveries. And since both she and the family physician have hospital privileges, hospital back-up is assured in cases of extreme emergency.

Patients come from all walks of life but tend to be well-educated and financially secure enough to afford the service. The cost is $750, which is about $550 more than a certified midwife's fee and slightly more than the least expensive hospital birth. The average cost for hospital delivery is around $1,000, which includes the obstetrician's $500 for pre- and postnatal care and the delivery itself. While the clinic's program is not the cheapest way to go, the people who use it are sure it is worth every penny.

The additional insurance of the Baby Buggy is frosting on the cake for those participating in the clinic's comprehensive program. The $750 charge covers the delivery itself, prenatal check-ups at the clinic, childbirth preparation classes, and several home visits—three before and two after the birth—by Ms. Brown and Ms. Mary Cosgrove, the nurse who assists her. They get to know the entire family—the children, friends, even the dog and cat.

To fully appreciate the service, you almost have to go to Phoenix and drive from one end to the other. The distances are vast, and Ms. Brown can put well over a hundred miles on her car just doing a round of prenatal visits. The original plan was to accept only women who live within 10 miles of the clinic, but that proved impossible. Word about the program spread rapidly, not through advertising, but by word of mouth, and the demand was too great. Ms. Brown was not really surprised: "All you have to do to be successful is to do a good job."

The success is not going unnoticed. Josephine Gibson, associate professor and director of the nurse practitioner and nurse-midwifery programs at the University of Arizona at Tucson, sent a warm letter of praise. Voicing concern over the growing number of home deliveries, and the potential danger, she wrote: "Various alternatives such as a birth or maternity center have been suggested, but such a facility is not yet available. Your proposed back-up system seems to be an excellent adjunct for those providing home deliveries. We applaud your proposal as a pilot project."

Such a response is heartening, indeed, and a far cry from the usual one of rigid opposition. But it is a proper attitude toward this fine service. "After all," says Dr. Gladys, "we're satisfying a need. We're not pushing or suggesting home deliveries. *We're taking care of a situation that already exists.*" Whatever the reasons for the current popularity of home birth, it is refreshing to see a challenge to the medical profession being met in the marketplace—and with compassion, dedication, and imagination. ◻

Sarah Foster's background is in anthropology, on which she has spoken before various professional organizations. Her article "S 1 in Sheep's Clothing" appeared in REASON in November 1978.

Bobb

(*Continued from p. 29.*)

sade. Sad, misguided Peter.

His first hint that he perhaps ought to have stuck with his marching-and-preaching methods of starting crusades came when a royal messenger arrived bearing a double saddlebag full of vellum forms from YE DEPARTMENT ROYAL OF YE HELTHE, EDDICATION & WEAL-FARE. Said the messenger, "Holy Peter, maker of Syria, modern-day Scourge of God, hermit-person. His Royal Highness the Caliph-uno of the king's cabinet bids thee full-fill these forms in parchmental triplicate before ever he heareth thy plea for aid."

Peter looked thunderstruck, then called a brief anathema upon the messenger. "Tell thy imperial knothead of a liege that Peter the Hermit seeks military alms, not in his own wise, but rather as God's own voice. I *petition* not—instead, I extend to Henry, the first of that name, the opportunity to contribute his mite to the glorious and holy cause which I most humbly lead.

"Besides," he added thoughtfully, "I can't write."

"Cause nor not even holiness matter-eth not," chanted the messenger. "The forms must be filled. But I support thy cause; therefore, I shall help thee."

And so the two sat under a beech tree, and the king's man transcribed the responses of the holy zealot.

"Your holy worship, for what express purpose dost thou seek H, E & W aid?"

"For the purpose, as all the faithful know, of the wresting of the Holy Land and the Sepulchre of Our Lord from the defiled hands of the Infidels."

The scribe wrote diligently, then asked, "Forasmuch as thou seekest aid of the government, thou needs must list the names, numbers serial, and ethnical backgrounds of all whom thou'st hired for this enterprise."

"Why, man, this enterprise is the holiest cause in Christendom. Those knights who strive in God's cause come from all corners of all lands. I know not all their names—only that they be holy men."

"And, Sir Hermit, what percentage of these knights be minority knights?"

"Minority? Sir Messenger, only the pages and squires be minors. No knight but hath attained his growth and majority. Would King Henry have me preach a Children's Crusade?"

"Revered holy man, the king's bureau careth not about children. We want to know how many of thy knights be black."

"Moors?! Sweet suffering Mother of God, man, it's Moors whom we mass to slay. What manner of idiocy is this, to ask how many of the enemy we count among our ranks? Wouldst have us fallen upon from within and slain before ever we came into sight of the walls of the Holy City?"

While Peter shook his head in disbelieving wonder, the messenger inscribed a neat cipher in the proper column.

"No black knights, then? That bodeth ill for thy petition. But mayhap thy percentages can be made up elsewhere, elsewise. Hast thy crusade any Amerind or Hispanic knights?"

"What new unheard-of heresy is this 'Arian-rind' or what-it-be? We have naught but God's faithful Christians of the Holy Church. But hark ye: Hispanic have we by the legion. Your bureau must be satisfied: one full arm of our heavy armor is Spanish."

The messenger had brightened, but now his face fell. "Spanish? Dost mean from Spain?"

"Of course, oaf. What in the name of God's wounds dost thou think I mean by *Spanish* and *Hispanic*? Are all government men as daft as thee?"

"Sir Holy Peter, I respect thy cause and thy holiness, but I must call thee an ass. The rules are clear and specific: no Spanish knight may call himself Hispanic, nor may he qualify on the minority rolls as Hispanic. Wouldst buck the whole Department?"

Peter the Hermit wondered fleetingly whether he might not better have spent his time coaching a Little League jousting team, but he persevered. "Like the runes of the berserker Norse are thy incomprehensible regulations, but I shall keep trying. How might I reach thy quotas for miners? Shall I recruit in Cornwall?"

Many historians argue that Peter did not become a hermit until after his encounters with the king's agencies.

"Not *miners*, Sir Fool Hermit. Minority knights. Members of a rare or oppressed race or caste of people. Saxons? Goths? Jutepersons?"

"Why didst not say so sooner? We have a veritable potful of Italianate and Irish knights. And some Magyars, too."

The bureau fellow consulted his list. "Sorry; no Irish or Italians need apply. But how about women? Hast fifty percent female knights?"

It is vastly to Peter's credit that he continued the interview even after this proof of the messenger's lunacy. Without directly replying, he said, "Continue down thy list. Mayhap there be something there which a sensible man might apply to with a Yea that is Yea."

"Accessibility of thy facilities to the handicapped?"

"Eh?"

"Can the halt, lame, crippled, leprous, and unclean enter thy tents unaided? Hast palfreys which a one-legged knight might mount? Hast chromium bars mounted by thy latrine pits? When thou preachest a fiery sermon, hast thou Spanish and Frisian editions circulating through the crowd? Hast deaf knights, knights lame, knights feeble?"

Quill poised over his vellum, the messenger did not look very hopeful.

"The halt?" exclaimed Peter. "Bet thy sweet mule we got the halt, lame, and crippled in this crusade. Boy, scribe old buddy, thou hast said a mouthful. I misdoubt me whether there be a whole man among us, if thou countest hernias, bad teeth, and the French disease for your handicapped."

The messenger cheered up a bit and scratched assiduously at his forms for a few minutes.

"What about equal-opportunity advertising? Didst preach this crusade among the urban poor, the Flemish quarter, or the Jews?"

"Preached to 'em all," Peter said. "Not to be immodest, but if there be a man—"

"*Person*," interrupted the bureau worker.

"If there be a person ever within five and twenty rods who heard me not, there be thy deaf and dumb."

There was a delay of months, then, as the King's Commission shuffled parchment. Records are sketchy, but apparently the department had decided to deny Peter's petition unless he could show that he had hired a dozen or more minority hermits to share the leading of the crusade.

The delay didn't matter, in the end, because Peter had already given up the idea of a second crusade before word of the decision reached him. Another government man had visited Peter after Ye H, E & W scribe had left, and he was the final straw, the reason for Peter's giving up forever his dream, his cause.

Peter was forced, you see, to file an Environmental Impact Estimate to assess the probable effect of his marching hordes on the European landscape. When he admitted that his holy legions would probably sack Thessalonica again, the government gave him a thumbs down. The crusade was disbanded, Peter given a small one-year Comprehensive Retraining Act grant, and that was that.

One last point. Many historians believe that it is a mistake to speak of "Peter the Hermit" in connection with the First Crusade, arguing that he did not become a hermit until *after* his encounters with the king's agencies. They did a more thorough job on his army than ever Saladin could have done, and he retired in disgust to a cave. He died in 1115, two months before the king's inspectors arrived at the Valley of Hermits to determine whether the cave-housing situation there was perhaps illegally discriminatory. ◻

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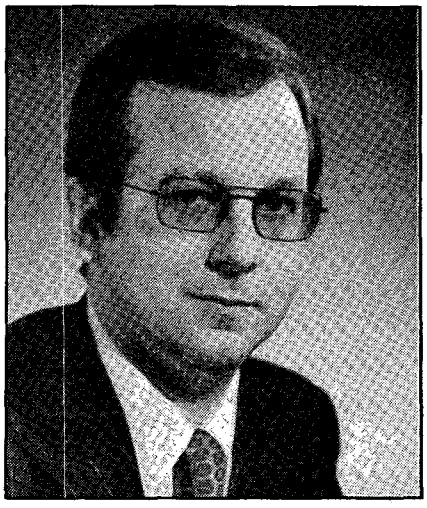
Does Monopoly Cause Inflation?

viewpoint



Alan Reynolds

Every time inflation speeds up, someone tries to revive the old idea that it is somehow linked to the size of corporations, which is said to be a sign of monopoly pricing. Statistics are freely tossed around that have nothing to do with competition —for example, that "only" a thousand "giant" corporations produce over half of all private goods and services. And it is then simply asserted that large corporations set prices arbitrarily, regardless of demand. This is, for example, a major theme of *Almost Everyone's Guide to Economics* by John Kenneth Galbraith and Nicole Salinger.

Even if every industry in the country were a pure monopoly, however, with no possibility of substitution between them, it would still have no effect whatsoever on the rate of inflation. A monopoly sells less than a competitive firm and thus charges a higher price by restricting supply. But it doesn't pay to keep charging more and more for less and less, year after year. At some point, the loss of sales offsets the added revenue from a higher price. So the monopoly finds the optimal combination of price and volume to get the most profit.

Once a monopoly has found the profit-maximizing blend of volume and price, there is no incentive at all to raise that price and lose sales, unless costs or demand go up. For a price increase to be profitable, demand for the monopoly's product must go up (meaning that people are willing to buy more units at any given price than before) or its supply of the product must go down (meaning that the costs of producing each unit have risen, reducing the amount that the firm can profitably sell at any given price).

If costs are increasing throughout the economy, that is generally a sign of excess demand for final products that is reflected in excess demand for labor and materials used in the production process. And if demand (spending) is increasing rapidly throughout the economy, that clearly has nothing to do with the size of firms or the degree of competition.

A second line of defense suggests that the many alleged monopolies have little incentive to resist large wage increases because they can simply hike prices to cover the cost. If prices are raised beyond the profit-maximizing point, however, sales and profits would decline for a monopoly just as they would for a competitive firm. A so-called wage-price spiral cannot continue without being validated by an increase in the supply of money to finance the increases. Otherwise, the real value of people's money would fall with the rising prices, thus slowing spending and creating an ever-increasing glut of products, services, and unemployed workers.

Another variation on the theme suggests that a slowdown in spending, resulting from slower money growth, does not reduce prices because large corporations escape the market's discipline. According to this theory, it is only by causing unemployment and thereby reducing wage gains that there was any effect on inflation from the slowing of demand in the 1975-76 period.

There's one problem with this theory, though: it bears no relationship to the facts. The rise in consumer prices for nonfood commodities slowed from 13.2 percent in 1974 to 6.2 percent in 1975; similar producer prices slowed from 20.5 percent to 6.7 percent; but hourly wage gains *rose* from 7.9 percent in 1974 to 8.4 percent in 1975. Prices didn't actually fall, on average, because the increases in spending only slowed down a bit—from 11.6 percent in 1974 to 8.1 percent in 1975.

There is no need to get involved in the complex reasons why a sudden slowdown in money and spending is typically reflected first in declining output and only later in slowing inflation. It can simply be observed that, since this phenomenon is clearly not confined to big corporations or monopolies, the monopoly theory does not explain it.

If only some product, service, or labor markets are assumed to be monopolized, and others are not, the irrelevance of monopoly becomes even clearer. Consumers might then spend a larger share of their incomes on monopolized goods and services, but that would necessarily reduce demand for goods and services from competitive sectors. Everyone can't simultaneously spend more money on everything unless there is more money to go around. Higher prices in monopolized areas of the economy would thus be offset by lower prices in competitive areas, leaving no net effect on measures of average prices. Similarly, if a union could raise wage rates in some trade by restricting entry, those foreclosed from such job opportunities would be compelled to seek work elsewhere—thus increasing the supply of labor in other occupations and depressing those wages. Average wage rates would be unaffected.

In short, monopoly might explain why a particular price is relatively high at any moment in time. But monopoly cannot explain why that price, much less the average of all prices, is rising continually, year after year. Nor can monopoly explain why inflation is higher or lower at various times and places, unless the degree of monopoly is subject to huge and sudden gyrations. The structure of US industry and labor markets was surely not much different in 1974 than in 1964, but the inflation rate was 10 times higher.

There is no credible evidence that elements of monopoly are particularly significant in the US economy, except where monopolies or cartels have been deliberately created by government regulation (Postal Service, airlines, trucking, utilities, occupational licensing laws, etc.). But even if it could be shown that monopoly was a pervasive phenomenon, the monopoly theory of inflation would still fail the most elementary tests of logic.

Alan Reynolds is a vice-president of the First National Bank of Chicago.

money

Precious Stones: Scouting the Frontier

By Steve Beckner

No less than a dozen firms hawking precious stones as investments set up shop at the recent conference of the National Committee for Monetary Reform in New Orleans. Some were selling diamonds. Some were selling "colored stones" (rubies, emeralds, sapphires, and lesser varieties). Some were selling both.

They ran the gamut—from slick to schlock. All were competing to put up a more impressive facade in the conference's huge display hall, alongside the gold dealers and food dehydrators. It was a battle for the best location, the most professional-looking booth, the glossiest literature. Some were hopelessly amateurish efforts. But most looked pretty convincing. Yet, it was certain that—behind the facades—some firms were less legitimate than others.

But how was one to tell? If you asked any of the dozen about the credentials of their competitors, you would invariably hear the most scurrilous attacks and innuendoes. Almost every firm had something bad to say about every other. And so, for the uninitiated would-be diamond investor, observing this mud-slinging carnival scene, the overall impression must have been, well, muddy.

So, how does the person who is interested in buying precious stones glean the gems from the rubble? Thankfully, the number of fraudulent and borderline-fraudulent firms seems to have diminished. As tends to happen in all markets, the more reputable firms survive, while the others fall by the wayside. But the problem of choosing a dealer persists.

It's not the only problem. Take, for instance, the dilemma of choosing among diamonds and the colored stones. What do you buy? How do you get the best price, now and at resale time? Considering past price performance, what has the greatest price potential?

It behooves every prudent investor to thoroughly check out the vendors of commodities like diamonds. Check the Better Business Bureau, both in your state and in the state where the firm is located. Check Dunn & Bradstreet. Ascertain whether the attorney general in the firm's home state has taken action against it. Demand a company's references—and check them.

Beyond those precautions, there is no substitute for valid certification of precious stones. "Valid" means not only that the certificate is from an independent, widely recognized laboratory but also that the certificate you are given in fact goes with *your* stone.

Diamonds of a carat or larger should be certified either by the Gemological Institute of America (GIA) or the Hoge Raad Voor Diamant (HRD). Stones smaller than a carat should be certified by the European Gemological Laboratory (EGL). The HRD is a Belgian lab, and its certificates, as yet, are not very common in the United States. The chief US graders are the GIA and EGL (both with offices in New York and Los Angeles). While both are qualified to grade all sizes, in practice there has tended to be a division of labor, so that a one-carat stone with a GIA certificate might sell for a slight premium over one with an EGL certificate. In no case settle for a certificate from an unknown lab or buy a diamond "graded according to GIA standards" or by "GIA-trained gemologists."

Colored stones are only now acquiring the blessings of certification. The American Gemological Laboratory (AGL) has been grading colored stones for over a year now. But its certificates are not widely accepted nor its grading standards recognized by the trade. The EGL is in the process of developing its own colored stone grading and certification program, but it is sure to face similar problems. For this reason, more than any other, colored stones have to be regarded as still on the investment frontier—fraught with risks but also filled with opportunities for those willing to take them.

Unfortunately, a certificate alone does not bridge the knowledge gap, even in diamonds. There have been cases where a firm has sent a high-quality diamond to a legitimate lab again and again, thus obtaining a quantity of high-grade certificates, which it then used to sell lower-grade stones. And since, to the naked, untrained eye, it is hard to tell the difference between diamonds, such switching has been successful—particularly when the firm seals the stone in plastic and warns the customer that if he breaks the seal all guarantees of authenticity are void.

There are two ways to avoid this switching problem. One method is for the company to offer an insurance policy guaranteeing that the stone in the cube matches its certificate. Of course, the program has the drawback that one cannot fully enjoy one's diamond, since it is sealed. The insurance policy lapses if the seal is broken, unless opened by an adjuster. (Otherwise, a client could switch stones and claim he'd been cheated.) Then too, the insurance premium, which must be continued by the investor to keep the policy in force, is an extra cost.

The other method is for the diamond dealer to arrange for the investor to receive a loose diamond directly from one of the labs, or to pick the stone up at the lab. The lab can either recertify the stone or, for a smaller fee, verify that the stone and its certificate match. The firm must either provide a money-back guarantee in case the lab does not find the stone to be of the stated quality, or hold the customer's funds in escrow until the lab attests to the quality. Stones must be shipped to the GIA in the name of the customer and not in the name of the firm. No firm has a privileged relationship with the labs in this regard.

The prime proponents of these two approaches are, respectively, Gemstone Trading Corporation of New York and Gemma Corporation of Beverly Hills, California. But that doesn't mean they are the only reputable firms in the industry. Others, including Kohinoor, North American, and Reliance, have long-standing reputations.

The best approach is to make thorough comparisons of a few companies—their records, their prices, and their total programs. Of particular importance is their ability to resell the stone for you when the time comes. Your alternatives are auction houses, jewelry stores, and the classified-ad pages. Buy the best quality stone you can afford. Don't sacrifice quality for size. A general rule is to buy 75-point (¾-carat) or larger diamonds in the D-H color range and the "flawless" to "VS_1" clarity range.

Without widely accepted grading standards, it is very difficult for the average person to know what he is buying in colored stones. Even more than with diamonds, you must trust the integrity of the seller. By the same token, liquidation is more difficult. On the other hand, current prices for colored stones do not fully reflect their much greater scarcity—now

being aggravated by Far Eastern political disruption. Comparing comparable qualities, colored stones are probably underpriced relative to diamonds per carat. For those with greater than average expertise or a greater than average willingness to take risks, genuine, top-quality rubies, emeralds, and sapphires could outpace diamonds, assuming the coming colored stone-grading revolution increases investor demand for them. And, with diamonds having risen an average 25 percent per year over the past decade (about 40 percent this year), that's saying a lot.

Steven Beckner is the editor of Deaknews, *the financial newsletter of the currency trading firm Deak-Perrera.*

spotlight

Think Tank Entrepreneur

By Christine Dorffi

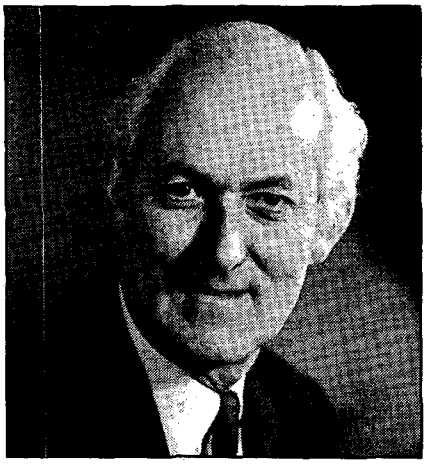
San Francisco has been chosen as the site of free-market academic entrepreneur Antony Fisher's latest think tank, the Pacific Institute for Public Policy Research.

Fisher is best known as the founder of the 25-year-old Institute of Economic Affairs in England. When its general director, Ralph Harris, was recently created a life peer by Prime Minister Margaret Thatcher, the *Daily Telegraph* of London noted, "The honour is a sort of promissory note ... indicating Mrs. Thatcher's determination to practice in office what the IEA has long preached." Even the venerable *Economist*, caught in the swing of the free-market mood in Britain today, conceded that "The institute was once regarded as a rather unfashionable right-wing organization, but it has had two successive triumphs. First, it concentrated on detailed microeconomic studies—of housing, medical care, pensions, education, etc.—at a time when the free-market views of most of its authors were regarded as rather old hat; by halfway through the IEA's life, these had come back very much into economic fashion."

No economic Cinderella, Fisher's current triumphs are the product of many years of hard work. When he left his job as a fighter pilot in the Royal Air Force in 1945, two important events influenced him deeply: he came across a condensed version of Friedrich Hayek's *The Road to Serfdom* in the British *Reader's Digest*, and he was suddenly frightened by the vicious socialist, anti-rich mood of that year's elections. Fisher immediately rushed out to obtain the unabridged version of Hayek's book and went on to seek out Hayek himself. Contrary to what others were telling him, Hayek advised him to stay out of politics and to work to build an intellectual movement. Since Fisher didn't have the cash to do anything at the time, he set about making it.

In 1953, Fisher was one of the founders of a successful business, Buxted Chicken. Two years later, with a little money in his pocket, he created the IEA as a legal charity and produced its first book, *The Free Convertability of Sterling*, by George Winder. Reviewed by Henry Hazlitt in *Newsweek*, the book quickly sold out. Later he became involved in exposing the failure of the British Egg Marketing Board and the Subsidy Scheme (both of which were dissolved in early 1966).

In 1956, he invited an ex-teacher "with a touch of genius," Ralph Harris, to run the IEA. Harris enthusiastically agreed,



Antony Fisher

and Fisher continued pouring in money from his chicken business. He slowly gathered supporters, financial and other, and the institute has been growing steadily since then, advancing free-market scholarship, educating students, attracting media coverage, and influencing policymakers. Its current budget is $800,000 a year, to support a modest staff of 12.

"In 1975, I retired from business," Fisher says. "I was extremely depressed with Great Britain. Fortunately, I got a call from a Vancouver businessman who had set up the Fraser Institute in Canada and who wanted my help." He was elected a trustee and acting director of the Canadian institute, where he assisted its chief economist, Dr. Michael Walker, in developing it as a focal point for free-market research and education in Canada.

Like its prototype IEA, it has been acknowledged in the Canadian press in such stories as that in Toronto's daily, *The Globe and Mail*: "It hasn't gone unnoticed that Prime Minister Joe Clark and his private-enterprise-is-better Conservatives rolled over the West and that the Fraser Institute is a western organization. Not that the institute immodestly takes all the credit for the new Conservative theories—but it sure takes some of it, because it has helped to focus public thinking on what the institute considers the fallacy of interventionist government policy planning." As an example, Fisher points out that the Fraser Institute's book *Unemployment Insurance* came out three or four months before the Canadian government cut half a billion dollars from its unemployment program. Again, Fisher harks back to Hayek's advice to first create the desired intellectual climate in order "to make politically possible what sensible people have regarded as politically impossible."

The Fraser Institute now has 400 supporters, and its publications have sold in over 40 countries. Its treatise on rent control has sold over 12,000 copies, and 2 of its 17 other titles have been bestsellers in Canada.

In 1977, Fisher was elected director of the International Center for Economic Policy Studies, again modeled on the IEA, in New York. In two and a half years, ICEPS has grown into a $600,000 a year organization. Its first book, *The New Protectionism*, is in a second printing by New York University Press.

That same year Sherrill Edwards, who had independently begun the Fisher Institute in Dallas, Texas, invited Fisher to become a director and contribute some advice and ideas. The Fisher Institute, like its sibling organizations, publishes free-market-oriented books, such as Milton Friedman's *Tax Limitation, Inflation, and the Role of Government* and Svetozar Pejovich's *Fundamentals of Economics: A Property Rights Approach.*

And now, San Francisco. Last year, Fisher created the Pacific Institute (first

called the Center for Economic and Environmental Analysis) incorporated as a tax-exempt foundation. Fisher hopes to sponsor up to 12 major studies and a conference each year, focusing on the western United States/Pacific Basin region, and on various economic, environmental, social, and trade issues such as state building codes and federal lands.

Fisher attributes his inspiration to Hayek's *The Intellectuals and Socialism*. "We're trying to get back to basic principles," he asserts. "What are the wrong decisions that are causing America's problems?" As with its forerunners, the Pacific Institute's immediate market is the intellectual community.

With offices in San Francisco, the institute has hired David J. Theroux as executive director and signed on economist M. Bruce Johnson as research director. Its first book, on private versus public education, is scheduled to be out soon.

A member of the Mont Pelerin Society since 1954, Fisher maintains a very active schedule, commuting between San Francisco, New York, and London to keep in touch with the various projects in which he is involved. A revised edition of his book *Must History Repeat Itself?* has been published in the United States by Caroline House under the title *Fisher's Concise History of Economic Bungling*. It traces 5,000 years of economic history, demonstrating how the free-market system best serves everyone's well-being.

The world can only be grateful that the tradition of questioning fashionable ideas was handed down from Hayek to Fisher to the hundreds of free-market converts they both can claim.

Christine Dorffi is REASON's assistant editor, filling in for Spotlight columnist John Lott.

arts & letters

movies

- **The Seduction of Joe Tynan**
- **Promises in the Dark**
- **Arabian Adventures**

Reviewed by John Hospers

• There are several rather unpleasant assumptions underlying **THE SEDUCTION OF JOE TYNAN**: (1) A senator who passes welfare legislation is a generous guy, whereas one who tries to save the taxpayers' money is a skinflint. "This will create a million jobs," says Senator Joe Tynan triumphantly after he gets his employment bill passed. What he doesn't say, and is probably abysmally ignorant of, is how many jobs it will take away and how many small businesses will go bankrupt as a result of these transfer payments. That there's no such thing as a free lunch is nowhere so much as hinted. (2) Anyone who doesn't favor the policies of the dyed-in-the-wool liberal Democrat from New York is a racist, a bigot, a segregationist, a paleolithic politician, and a moral cretin.

The characters who "get the goods" on these cretins and keep one of them from being appointed to the Supreme Court don't mind stooping to lies and character assassination to achieve their goals—all in a good cause, you know. Yet they are the heroes of the film. The trouble is, the heroes are really the villains.

If you can manage to live with all that, you can still find some interesting and worthwhile things in the film, such as: (1) a fairly tight and well-written script; (2) a tremendously insightful and gratifying performance by one of the finest actresses around, Meryl Streep (heroine of *The Deerhunter*); (3) another fine performance by Melvyn Douglas as a senator lapsing into senility—not an impeccable character, but compared with him the other politicians have the morals of alley cats. Finally, (4) in spite of shifts from the political arena to the senator's domestic problems and back again, there is in this film a family situation depicted in some detail, which shows tellingly what happens to growing children when their parents are too busy with their careers to give time to them. One wants to plead with Joe Tynan to for heaven's sake chuck his career and his plans for the presidency and just go home to be with the family. Unfortunately, he never does.

• The theme is solemn and significant: the discovery of cancer in a teenage girl and her slow deterioration and death in the face of tremendous courage and love for life. Harrowing and inspiring at the same time, it is treated with intelligence and without mawkishness. The girl (Kathleen Beller) is bright and indefatigably curious, and the doctor (beautifully played by Marsha Mason) is frank and honest with her about every medical detail of her case. No unpleasant development is evaded, and the result is an uncompromisingly honest film about a subject that those who seek "entertainment only" will hardly wish to pursue.

The intentions are first-rate, as is much of the execution. Yet PROMISES IN THE DARK is not nearly as good as it could and should have been. There are fairly long dead spaces in which attention lags and nothing much happens; one might say that this is necessary to plot or character development, but a director more imaginative than Jerome Hellman would have filled every space with something meaningful while at the same time adding depth and momentum to the story. Though the film is long and occasionally drags, there are also details that should have been there but aren't, which would have made the spectacle of inevitable dying more fraught with *felt* significance for us. Part of the problem is that in the attempt to be unsentimental it became too clinical; but the main problem is that the film is not *richly textured* in all its parts, and many sequences are too "thin." Thus, considering that the subject is a "natural" for imaginative identification (what happens to her could happen to anyone), the film is less emotionally involving than it would have been with a really superior script and direction.

Still, no one could expect a film to answer the question that the cancer-ridden girl asks in a desperate moment when all tests have come out unfavorable: "Why me? Why me?" Because this question is so dramatically presented without any hint of an answer, some viewers leave the theater in tears, some in ill-concealed fear, and still others in open anger and frustration.

• Some years ago Professor F. L. Lucas wrote a perceptive book called *The Decline and Fall of the Romantic Ideal*. The romanticism of 19th-century literature and art is not dead, he said; it has just gone down into the gutter. The spirit that originally expressed itself in the works of Charlotte and Emily Bronte, Victor Hugo, and Alexander Dumas no longer is to be found in "respectable" literature and now manifests itself in cheapened form in daytime television serials and pulp novels. "La Princesse Lointain" has degenerated into "As the World Turns."

There has been great romanticism in films, too—in some of the great love sto-

ries and adventure stories of the '30s and '40s, but no less in fantasies, a delight to children and adults alike, in such early films of magic and enchantment as *The Thief of Baghdad*. The most recent attempt in this genre, **ARABIAN ADVENTURES**, shares only the outer shell of such earlier films and totally fails to communicate any of the romantic spirit of adventure and derring-do and triumph-over-difficulties that characterize its illustrious predecessors. Instead of one soaring magic carpet of *The Thief of Baghdad*, we now have dozens of flying carpets, but no feeling of magic. Instead of the benevolent giant imprisoned in the bottle, we have a misshapen ogre. Instead of Conrad Veidt's inimitable portrayal of the elegantly malevolent embodiment of evil, we have the tight-lipped cursings of a popinjay monarch who does nothing but invoke magic. And instead of Sabu we have a new Indian youngster who smiles emptily at the camera. Instead of one clear and highly dramatic plot line, we have a series of episodes, none of which mean much because the characters are all papier-mâché. The writing is such a stock of clichés as to lead one to believe the writers must have gotten the script out of an anthology of dead expressions. Even the music has descended from the high excitement of the earlier films to a state of seeming to be bored with itself.

Yes, the romantic idea has fallen. It's a pity that, at a time when there are few G-rated pictures any longer, those that one does see make one resolve never to see another.

John Hospers is a professor of philosophy at the University of Southern California. His book Understanding the Arts *will be published by Prentice-Hall this year.*

television

Tenuous Connections

By Bruce K. Bell

Recently playing to local audiences, courtesy of PBS, was another "science" series, *Connections*. Coproduced by the BBC and Time-Life Films and starring the writer of the series, James Burke, *Connections* was apparently designed in imitation of Jacob Bronowski's *Ascent of Man* series of some years ago. Unlike Bronowski, however—who usually remained close to the historical facts, even though his emphasis could sometimes be questioned—Burke seemed to take delight in making statements totally without basis in the literature of the history of science.

In the first of 10 episodes, titled "The Trigger Effect," viewers were introduced to Burke's paranoid feelings about the "technology trap, in which we're supposedly caught. The episode opens with the events leading up to New York City's 1965 power blackout, triggered by a faulty relay at Niagara Falls that, by overloading connected generators, left several states without power. There was, of course, much looting during the blackout, but even the scenes depicted in this show belie Burke's paranoia, since they imply that the blackout brought most New Yorkers closer together.

One of Burke's themes is that we have become so dependent upon technological gadgets that we cannot function without them. Yet most people did find ways to "function" during the blackout. A doctor delivering a baby either used a flashlight or else, as Burke himself remarks, knew that it is a procedure that depends more on feel than on sight. People stuck in subways threw parties with whatever they happened to have with them and generally had a good time talking with and meeting others on the subway for perhaps the first time.

Burke, however, uses the New York blackout to raise the chilly specter of interconnected generators all across the United States becoming overloaded. And so we are led to envision a national economic crisis and to question our ability to function in a nontechnological world. The rest of the first episode presents the themes that infuse the series: first, nobody knows how to be energy self-sufficient, so it seems that we have to start anew on the farm, with the plow drawn by oxen; second, people are deterministically driven to create new gadgets merely by having previous gadgets around.

But just how far-fetched these inter-gadget connections are becomes clear in the second episode, "Death in the Morning," intended to enlighten us about the origins of the atomic bomb. Historians of science who checked in on the show would have been amazed to learn from Burke that the atomic bomb can be traced back 2,200 years, to the invention of money and the use of touchstones to assay gold. And so it continues, through a hodgepodge of historial events—book burning in Alexandria, Ptolemic astronomy, triangular sails and stern rudders, Sir Francis Drake's "swashbuckling" and "indeed criminal" behavior, and the invention of compasses, radar, the telegraph, and telephone. Interwoven with his comments on these historical events, Burke manages gratuitous assaults on the profit motive. Owners of gunpowder warehouses, for example, when their stores were blown up by lightening, wanted to know more about it, since "not only was this costing lives, but it was costing *money*" (Burke's emphasis).

Almost needless to say, the "connections" or "origins" Burke points to make up an hour's worth of nonsense. But more than this, his show on the atomic bomb is guilty of a glaring omission. Einstein and his famous equation, $E = mc^2$, is never mentioned, let alone given a central position in Burke's self-styled "alternative view of change." But if the *origin* of something is that without which it would not exist, then Einstein and his *idea*, that "mass" can be converted into "energy," must be considered *the* origin of the atomic bomb.

Equally missing in Burke's "detective story" is the Manhattan project and the scientists who worked on it (Edward Teller, Enrico Fermi, etc.), not to mention the connections that really existed between Einstein's theories and those who influenced him—mathematicians, physicists, and philosophers of science. The most that can be said for the "connections" Burke does point to is that they had something to do with *delivering* the bombs dropped by plane on Japan— although it is not clear from what Burke says that this is why he bothered to focus on those connections.

What was painfully obvious throughout the series is that Burke is not the least bit interested in *ideas* and the history of ideas; art, philosophy, and politics, he says, are "the products of human emotion," while scientists and primarily technologists are "the true movers of change." And even more than focusing on technology, Burke is after negative human feelings about "future shock." (Typical Burkisms: The world is "complex" and "interdependent" and therefore "frightening"; and "Your house is full of secrets from the past that rule your life.") But, contrary to his assertion that "every one of man's inventions acts like a trigger to *cause* change," it is *individuals* and their *ideas*, not the technological gadgets "with which we surround ourselves," that lead to further innovation.

As becomes clear in the last episode, however, Burke's real point is not so much to explain the technology we now have as to discourage further innovation. These are "society's [*sic*] options" for the future, he says: (1) scrap technology and go rural; (2) allow selective technology only; (3) stop advances and share what we already have; or (4) accept business as usual. If the series is to be taken seriously, of course, (4) is a dreadful prospect, but Burke doesn't bother to consider the problems with the others, such as: (1) how "society" is to support everyone dependent on present technology; (2) how to figure out what will

be important in the future; or (3) what to do about the fact that most people want more than what they'd get by divvying up present goodies. But anyway, "society" supposedly will do what it will do, so Burke generously offers two options to the "man in the street," to whom he wants to address himself throughout: "You can put your thumb in your mouth and do nothing," or you can take a mallet to your technological possessions (including, by the way, the television bringing you *Connections*).

Contrary to Burke, however, I have confidence that the "man in the street" can still think and dream of other options. The American public does, indeed, have a great need to understand science and technology, but this mistaken series has done nothing to fill this need.

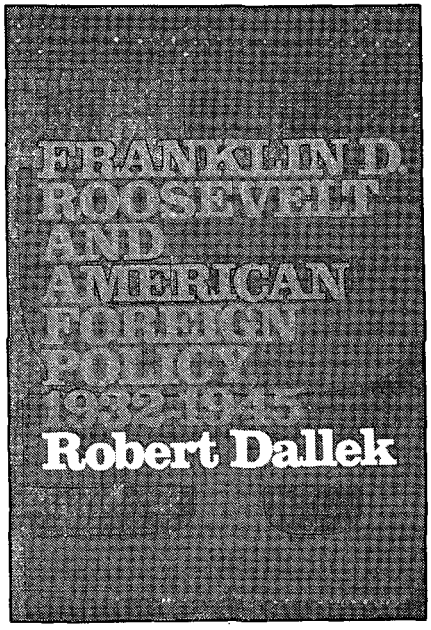
Bruce Bell has degrees in physics and the history and philosophy of science. As a Reason Foundation fellow, he is currently researching the medical and legal aspects of federal food and drug laws.

books

Old Thoughts on FDR

Franklin D. Roosevelt and American Foreign Policy, 1932-1945.
By Robert Dallek.
New York: Oxford University Press. 1979. 657 pp. $19.95.

Reviewed by Bruce R. Bartlett



Robert Dallek makes clear at the outset of his book on Franklin D. Roosevelt's foreign policy that he has little new to say. He has looked at all the new documents, and his bibliography indicates that he has looked at every important book on FDR's foreign policy, yet he does not change the conventional interpretation now given to FDR's actions.

This means, for example, that Dallek sees FDR, not as goading the Japanese into an attack on Pearl Harbor, but merely as reacting to events. Nor does he suggest that any significant change in American policy toward the Soviet Union, such as launching a second front in 1942 or 1943 to ease pressure on the Soviets, might have reduced Soviet apprehension toward the United States and thus prevented the Cold War.

Dallek is much too glib in this dismissal of the cumulative results of revisionist research on the origins of World War II and the Cold War. On the Japanese, he quotes George Kennan as saying:

> *Had* FDR *been determined to avoid war with the Japanese if at all possible, he would have conducted American policy quite differently... than he actually did. He would not, for example, have made an issue over Japanese policy in China, where the Japanese were preparing, anyway, to undertake a partial withdrawal... and where this sort of American pressure was not really essential. He would not have tried to starve the Japanese navy of oil. And he would have settled down to some hard and realistic dealings with the Japanese.*

But Dallek goes on to defend Roosevelt's action on the grounds that domestic considerations forced him to act as he did. "To have acquiesced in Japan's domination of China," he says, "and allowed oil and other vital supplies to fuel Japan's war machine would have provoked an outcry in the United States against cynical power politics and weakened the national resolve to confront fascist power outside of the Western Hemisphere."

This is nonsense. As late as August 1941, 76 percent of the American people opposed war with Japan and 75 percent opposed war with Germany and Italy. Where was the pressure to be tough with the Japanese coming from? It must have been coming from Roosevelt himself, who wanted desperately to fight Hitler but could not get a *casus belli* from him. How else can one explain such Roosevelt actions as ordering three little ships into the path of an oncoming Japanese fleet a week before Pearl Harbor, knowing full well they would be blown out of the water? (see Adm. Kemp Tolley, *Cruise of the Lanikai: Incitement to War.*)

As to the Soviet Union, Dallek, like most historians, makes no effort to see the situation from the Soviet point of view. As far as the Soviets were concerned, they won the war. We were Johnny-come-lately's, whose timidity at forcing an invasion of Europe in 1942 or 1943 caused the Soviets to bear the full brunt of Hitler's forces for three years without relief, losing more men in the process than all other Allied armies combined. From their point of view, the West was playing both sides against the middle, hoping that Germany and the Soviet Union would destroy each other (as many in the United States were in fact advocating).

In Dallek's view, little if anything could have been done on the part of the US government to halt Soviet expansion into Eastern Europe. This is true, but beside the point. Eastern Europe had been an object of Russian desire since the age of

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the tsars, and it fell like ripened fruit into Soviet hands.

The real question is whether US actions could have averted Soviet-American tensions. After all, the United States had no stake in Eastern Europe. The Soviet Union's looking upon this area as within its sphere of influence was analogous to enforcement of the Monroe Doctrine in the Western Hemisphere. So America's reaction to the Soviets' occupation of Eastern Europe was interpreted by them as a pretext for open hostility.

In the end, Dallek's book is disappointing. There has been enough scholarship in the last 20 years to provide for a deeper analysis of FDR's foreign policy. Dallek has merely rehashed old hash. ◻

Bruce Bartlett is the author of Cover-up: The Politics of Pearl Harbor, 1941-1946.

Overglorified Journalism

A Crisis for the American Press.
By John Hohenberg.
New York: Columbia University Press. 1978. 316 pp. $14.95.

Deciding What's News: A Study of CBS Evening News, NBC Nightly News, Newsweek, and Time.
By Herbert J. Gans.
New York: Pantheon Books. 1979. 393 pp. $12.95.

Reviewed by Dennis Chase

If you believe everything you read about the news media, journalists have never had it worse. They are pursued by judges and government agents who want to look at their notes, expose their sources, and prevent them from publishing important stories. But that's only the beginning. Journalists are also pursued by inner demons—"unconscious opinions"—that undercut the idea of objectivity. Apparently the poor journalists have got everyone buffaloed—from old hands like John Hohenberg to hip sociologists like Herbert Gans.

Hohenberg, who is now a journalism professor at the University of Tennessee and has written many of the textbooks that budding reporters memorized to train themselves, is the most ironic case. Many of the problems he mentions—such as the insensitivity of journalists to outside criticism—stem from his own work. For example, it was Hohenberg's *The Professional Journalist—A Guide to Modern Reporting Practice* that taught students that news is undefinable. In that book, Hohenberg gave students a laundry list of nonsensical "definitions" ("News is what editors say it is") and then told them: "There is no guarantee that all newspapers print news," and "There is news in everything if you know where to look for it." Stuff like this has spawned a generation of arrogant reporters who think they are blessed with instincts ("nose for news") that tell them what is worth covering and who resist any attempts to tell them otherwise.

As if that weren't enough, Hohenberg then decided to convince journalists that the subject of news isn't worth thinking about at all. In his book, *The Pulitzer-Prize Story*, which purports to show what it takes to win journalism's highest award, Hohenberg says, in effect, that if philosophizing about news is getting you down, forget about it. Describing an overblown 1926 prize-winning story about attempts to rescue Floyd Collins, a miner trapped in a Kentucky cave, Hohenberg dismisses objections to the sob story, saying "there is precious little that any newspaper editor can do about it." The average editor, he says approvingly, will "print the story first and philosophize about it afterward."

True to form, in his latest book Hohenberg contends that judges and government bureaucrats are trampling journalism under the club of "national security," that journalists are vulnerable because they have few public supporters, that soon this country will have a version of Great Britain's Official Secrets Act, and finally that government and the press are on a "collision course" that threatens to smash the First Amendment once and for all. "We have reached a stage in this country at which the concept of an independent press in a democratic society will have to be fought out in the public arena once again," Hohenberg writes. "The difference is that the press now has fewer defenders in high places than it has had for many years and the broadcast media are in even worse shape. All in all, the news media are in for, at the very least, a bumpy ride."

Now journalists aren't completely innocent, Hohenberg concedes. The press is a natural adversary of government, of course, but sometimes it practices "adversary journalism"—a concept borrowed from lawyers who massage evidence so as to make their clients look good. Lately, the "swing toward an adversary position by a number of leading newspapers is quite different from anything the press has done previously in American history," he writes.

In Hohenberg's world, the courts are reacting partly to all this. They are forcing previously confidential news sources out of hiding and shackling the press in other ways. It never occurs to Hohenberg to look at what is happening outside the journalism world. Centralized governments are losing control; Republican presidents are finding it difficult to control Democratic bureaucracies, much less Congress. National governments are no longer monoliths, but warring factions, which always lead to news "leaks," which frequently lead to Pulitzer Prizes for overglorified journalists. That explains why adversary journalism has taken hold.

But Hohenberg is even wrong in his analysis of the US Supreme Court, which has been completely consistent in holding that the First Amendment stops anyone from attempting to impose prior restraint on the press. What galls Hohenberg and other journalists is that the court also has held that journalists have no *special* rights to gather information. This means reporters can't enter prisons where the general public is not allowed and must give up certain kinds of evidence regardless of how that affects news sources. It also means that television reporters must answer questions during pretrial discovery proceedings about their state-of-mind in preparing stories, just like everybody else. This obviously rankles Hohenberg, who would like everyone to believe the fiction that the press is "a separate institution, responsible only to itself."

But if Hohenberg is muddled, at least he is analyzing journalism from the point of view of a journalist. Sociologists like Herbert Gans generally have a terrible time thinking about journalism. First of all, they are unreadable, as most writers who use "methodology" for "method" usually are. But they also have very little to say, and spend a lot of time at it. The last one to pull it off, Robert Park, concluded that newspapers are about as good as they can be. As far as I can tell, 30 years later Gans has come to a similar conclusion with one difference: he thinks the government can improve the situation.

Gans's thesis seems to be that news is too one-dimensional, that values in the news are middle-class values, that the media need to be more "multiperspectival," which I think means getting more special interests involved. So, journalists should pay more attention to groups, and not just government; it should dig into lower-class concerns; it should represent the views of "ordinary Americans." Instead, journalists either reflect the concerns of middle-class (ordinary?) Americans by emphasizing values like "altruistic democracy" and "responsible capitalism," or they overplay intragovernment conflicts, or they are well-paid and write like it. It all leads to a single perspective, get it? "When journalists must decide what is new, they must also make as-

sumptions about what is old," Gans says in a typical statement.

His solution is a government "Endowment for News" that would fund new media not able to gain capital in the marketplace, fund sources not able to sustain themselves in the marketplace, fund new "Audience feedback mechanisms" not able...etc. Gans honestly believes that the dangers of government control over news selection and content are so minimal that he dismisses them in five paragraphs, among the most naive I have ever read. Such government control would be impossible, Gans says, because "the regulated have too much power."

To those interested in dissections of journalism, and I have been collecting them for about 10 years, apparently we are in for another turn. From ad hoc complaints about war coverage, to general complaints about subjectivity-masking-as-objectivity, to glorifications of "new" and "gonzo" journalism, to diatribes against media barons, we are to add the latest notions: pity the journalist, for he is under attack; and encourage the government to help journalists, for they know not what they do.

Instead, keep this idea in mind: Journalism does have problems, but not the ones Hohenberg and Gans point out. Journalists determined not to examine the philosophy of their trade continue to write stories without evidence, without background, without foreground, and all with an arrogance they have had for years. As a result, they are heading for a reaction from the rest of society in a way that may be unpleasant for us all. They are like the white folks in Harper Lee's *To Kill A Mockingbird*, taking advantage, with impunity, of black ignorance in the old South. "Don't fool yourselves," says Atticus. "It's all adding up and one of these days we're going to pay the bill for it." Neither Hohenberg nor Gans have anything particularly interesting to say about that prospect.

Dennis Chase is Chicago bureau chief of McGraw-Hill World News.

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Physicians Against the State

Almost Persuaded: American Physicians and Compulsory Health Insurance, 1912-1920.
By Ronald L. Numbers.
Baltimore: John Hopkins University Press. 1978. 158 pp. $10.

Reviewed by Llewellyn H. Rockwell

While Senator Kennedy and President Carter argue about the exact timetable for nationalizing medicine, Prof. Ronald L. Numbers's account of an earlier battle on the same subject makes good reading.

Shortly before World War I, after compulsory health insurance had been enacted in much of Western Europe, it seemed headed for the lawbooks in the United States as well. High officials of the American Medical Association praised it, and an editorial in the *Journal of the AMA* called it "pregnant with benefit to the public." Even many who doubted the legitimacy of the pregnancy agreed with the New York *Medical Record*: "Whether one likes it or not, social health insurance is bound to come."

In an America that still had a functioning federal system, proponents concentrated on state governments. The progressivist American Association for Labor Legislation (AALL) drew up a model bill, and the New York State legislature seemed ready to pass it, with Massachusetts and Illinois quickly to follow.

Under the scheme proposed by the AALL, and seconded by the AMA, the state government would have paid 20 percent of the costs of the program, with employers and employees sharing the remainder. Depending on their income, employees would have paid from zero to 20 percent, leaving an employer's share that ranged from 40 to 80 percent. All surgical, medical, hospital, and nursing costs and all drugs and medical supplies were to be covered; disabled workers would get pensions during the period of their disability. Physician compensation was to be capitation—so much for each patient seen. Private insurance companies were barred from participating in

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any part of the plan.

A few years later, compulsory medical insurance was dead. What killed it? Professor Numbers, head of the University of Wisconsin-Madison's medical history department, is sorry the persuasion wasn't successful, but his scholarly presentation gives all the facts. The answer: the awakening of the average practicing physician to the danger he and his patients faced. Working through their county medical societies and special organizations formed to fight socialized medicine, doctors turned first their state societies and then the AMA into vigorous opponents of government medicine.

Studies of the pauperization of physicians and the lowered quality of care for patients in European systems helped, as did the results of socialism in the young Soviet Union. Accurate cost estimates were also a factor. But aroused physicians, influencing patients and politicians, were the key.

The house of delegates of the New York State Medical society, after a fiery speech by John J. A. O'Reilly, M.D., of Brooklyn's Professional Guild, voted to oppose all forms of government medicine. One of the sponsors of socialized medicine in the New York State legislature, Republican Sen. Frederick Davenport, lamented that his bill was dead because "public opinion had been poisoned against it." The American people had come to agree with Dr. O'Reilly that "compulsory health insurance is...unamerican, unsafe, uneconomic, unscientific, unfair, and unscrupulous."

Ignoring the advice of their president, the house of delegates of the AMA voted nine-to-one for a resolution that stated: "Resolved, That the American Medical Association declares its opposition to... any...plan of compulsory [health] insurance...provided, controlled, or regulated by any state or the Federal Government."

The landslide election of Republican Warren Harding in 1920, an opponent of socialized medicine, over a Democratic nominee who favored it, was almost overkill. Compulsory health insurance was dead in the United States for two generations.

Note: Alluded to, but unanalyzed, is the role that government licensing of physicians, and restriction of the supply of doctors, may have played. In 1912, many physicians may have favored State medicine for reasons of economic self-interest. Many of the same doctors may have opposed it by 1920, for the same reason. This area needs more study. But whatever the reasons, American patients and taxpayers were spared the high prices and low quality of State medicine for many years. *Almost Persuaded* can be a valuable resource in the fight against that control today.

Llewellyn Rockwell is the former editor of Private Practice *and is currently administrative assistant to Rep. Ron Paul.*

Food Solutions

Food for the Future.
By Keith C. Campbell.
Lincoln: University of Nebraska Press.
1979. 178 pp. $12.50.

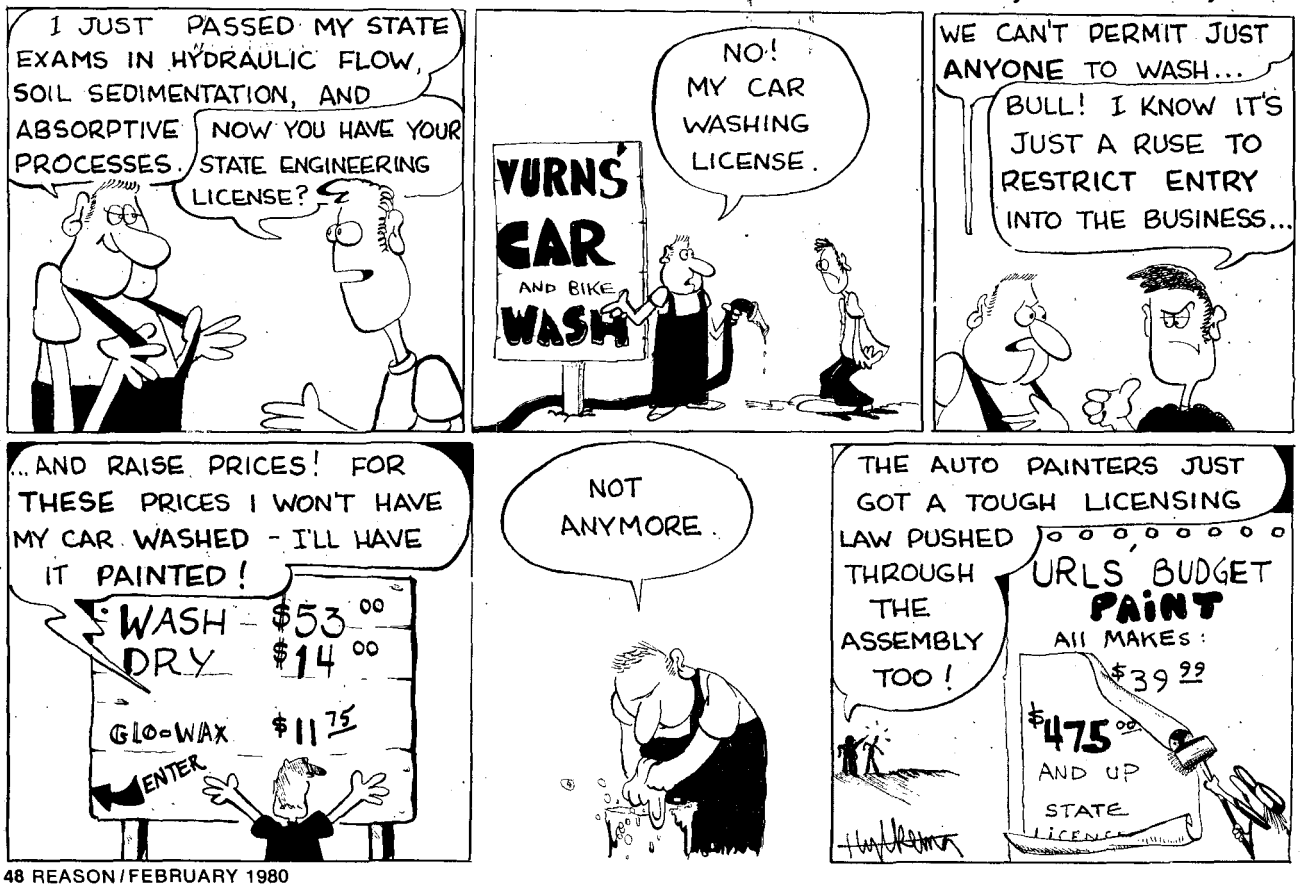
Reviewed by Lynn Scarlett

Periodically, pessimists following the Malthusian tradition have prophesied peril to the world's food supply. A recent wave of such theorists was spurred on by widespread crop failures in between 1972 and 1974 to reassert that a food crisis is immiment. Responding to these "Jeremiahs and doomsday" men in *Food for the Future*, Keith Campbell questions whether a crisis is, indeed, likely.

The book is unabashedly optimistic. If there is a food problem, Campbell contends that it does not derive from any hopeless "niggardliness of nature" nor

rudebarbs

by Randall K. Hylkema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from the likelihood of perpetual rapid population growth. He reaches his conclusion through a balanced assessment of population and production trends and resource availability.

Campbell does not, however, dismiss the food problem as a chimera. Resource and production constraints do exist, not because of technical shortcomings, but because government policies have engendered them. With a sensitivity to economic incentives rare in analyses of agricultural problems, he attacks subsidies, price ceilings, quotas, mandatory purchase schemes, interest ceilings, and protectionism as culprits in the current constraints on food production.

While Campbell's assessment of the food problem is insightful, his proposals for remedying the situation are not. Like so many academics, he makes a plea for more research and development. And who shall provide the funds? The government, of course. Campbell admits that R&D is not alone sufficient. Government policies must be revised to permit market incentives to operate—*but not without* some price stabilization schemes, infrastructure development, and provision of credit facilities.

Such proposals seem incongruous given the vigorous attack on government policies outlined earlier. Why is it likely that new "positive" price stabilization or credit schemes should be better designed or less subject to the vagaries of interest-group pressures than previous policies? The book, with all its merits as a device for analyzing the nature of the food problem, fails to provide any imaginative or plausible solutions.

Lynn Scarlett, a doctoral candidate at the University of California at Santa Barbara, is studying political science and economics.

letters

(Continued from p. 12.)

In the same column, under "Paying for Airports" there is a serious misconception about who is paying what. *Airlines* are not paying into the trust fund for airport improvements; *passengers* are paying. Airlines are simply transfer agents. Realistically, one should collect directly from the using customer as he walks through the door of the passenger terminal.

Also neglected is the fact that private airplane owners are taxed directly by a 7-cent-a-gallon fuel tax which goes into the federal trust fund (now over $4 billion, not $3 billion). Airline fuel is exempt. At most airfields there is also a fuel

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"flowage fee" and/or parking fee which goes directly to the airport coffers. The lions' share of federal funds goes to the major terminals, of course. Many small airfields (without airline service) are not even eligible for any return on the money they must collect.

Other sources of income for airports are the automobile parking facilities; rentals of counter space to auto rental agencies, airlines, etc.; and ground leases to the aviation dealers who provide hangar space, fuel, maintenance, charter service, aircraft rental, and pilot training. The biggest source of revenue is frequently the parking lot (not counting the loot from the feds).

Landing fees, incidentally, are considered a rip-off by pilots and are frequently counterproductive, resulting in more money going elsewhere (even airline money). The loss can be significant—about 30 percent of the people who travel in and out of major terminals are making airline connections.

As for traffic delays, to my knowledge no one has demonstrated that peak-hour fees have actually resulted in a reduction of traffic delays. Peak hours are created by the travel desires of the public, which are catered to by the airlines. *Everyone* wants an 8:00 A.M. takeoff. If more people rode the red-eye specials, there would be more of them to choose from and fewer delays in the mornings.

Curtis L. Messex
Cheney, WA

The Pot And the Kettle

I could not help but be amused as I read Alan Burris's letter, "Public vs. Government," in the November issue. Mr. Burris, referring to "Shrinking Government," which appeared in the August issue, objected to the "repeated use of the word 'public' to mean government." To avoid such "semantic traps set by statists," he suggested that it should be spoken of as "government sector vs. public sector." This "preferred" terminology, like that which he criticizes, in the all too familiar statist tradition, seeks to separate the act (governing) from the actor (individual) and rest responsibility with an abstract nonentity called government, public, society, etc. Instead of trying to avoid "an identity between government and citizens," Mr. Burris, along with all other complaining governmentalists, would do well to think about: "We have met the enemy, and they are us."

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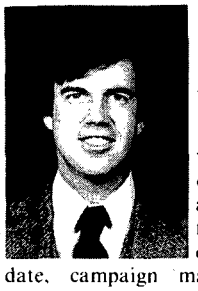

Libertarian activist. Libertarian writer. Libertarian motivator. All these terms describe Michael Emerling.

Michael possesses a truly awesome amount of political knowledge and experience, gained from involvement in 36 campaigns--as candidate, campaign manager and political consultant.

He founded the Tucson Libertarian Supper Club, worked with the MacBride for President campaign, and served as advisor to 12 Libertarian campaigns in Arizona, Nevada and California.

When he ran as Libertarian candidate for Congress against Arizona's Morris Udall, Michael received 5,000 votes on a bare-bones budget of $1,000.

As speechwriter and ghostwriter for 26 political candidates, Michael has written 109 articles and speeches. His provocative essays

in libertarian movement publications ("How to Get Converts Left and Right" in *Reason* and "The Late Great, Libertarian Macho Flash" in *Frontlines*) have stirred a storm of controversy and become underground best-sellers.

Currently, Michael is working on his forthcoming book, *The Art of Political Persuasion.*

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